

Comba

京信通信系統控股有限公司
Comba Telecom Systems Holdings Limited
股份編號 Stock Code : 2342

2017 Annual Results Corporate Presentation

**Exploring Opportunities •
Creating Value**

開拓商機 • 創新價值

**Reforming Mechanism •
Enhancing Efficiency**

變革機制 • 提升效能



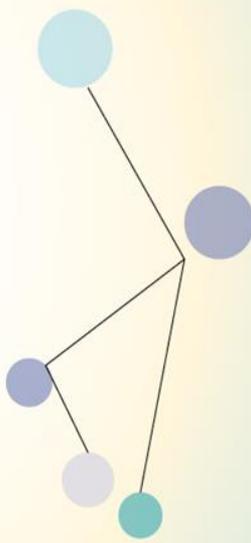
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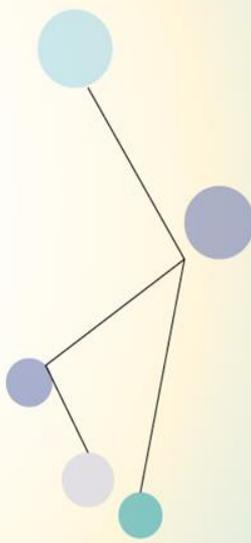
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Agenda



- 1** Financial Highlights
- 2** Financial Review
- 3** Customer Review
- 4** Business Review

Financial Highlights



Financial Results

Exceptional Items

Financial Position

Key Financial Indicators

Gross Gearing Ratio Analysis

Financial Results



	For the year ended 31 December			For the six months ended
	2017	2016	Change	30 Jun 2017
HK\$'000				
Revenue	5,563,725	5,954,328	(6.6%)	2,721,948
Gross profit	1,437,028	1,728,391	(16.9%)	769,832
Gross profit margin	25.8%	29.0%	(3.2%)	28.3%
Operating profit	101,095	301,628	(66.5%)	175,851
Tax	29,185	99,726	(70.7%)	57,191
Profit attributable to shareholders	27,373	152,257	(82.0%)	94,205
Net profit margin	0.5%	2.6%	(2.1%)	3.5%
Basic earnings per share (HK cents)	1.12	6.23	(82.0%)	3.85

Exceptional Items

	HK\$'000	Details	For the year ended 31 December				For the six months ended
			2017	Margin Impact	2016	Margin Impact	30 Jun 2017
1	Cost of sales	Inventories written-off	(86,040)	GPM▼1.5%	(83,587)	GPM▼1.4%	(30,309)
2	Impairment of trade receivables	Certain trade receivables written-off	(26,053)	OPM▼0.5%	(46,568)	OPM▼0.8%	--
3	Exchange gain(loss)	Mostly from BRL	--	--	69,458	OPM▲1.2%	(3,471)
4	Exchange loss	Mostly from RMB denominated loans	(22,694)	OPM▼0.4%	--	--	--
5	Fair Value change of a derivative instrument	Hedge against BRL fluctuation	--	--	(59,559)	OPM▼1.0%	--
		TOTAL	(134,787)	NPM▼2.4%	(120,256)	NPM▼2.0%	(33,780)

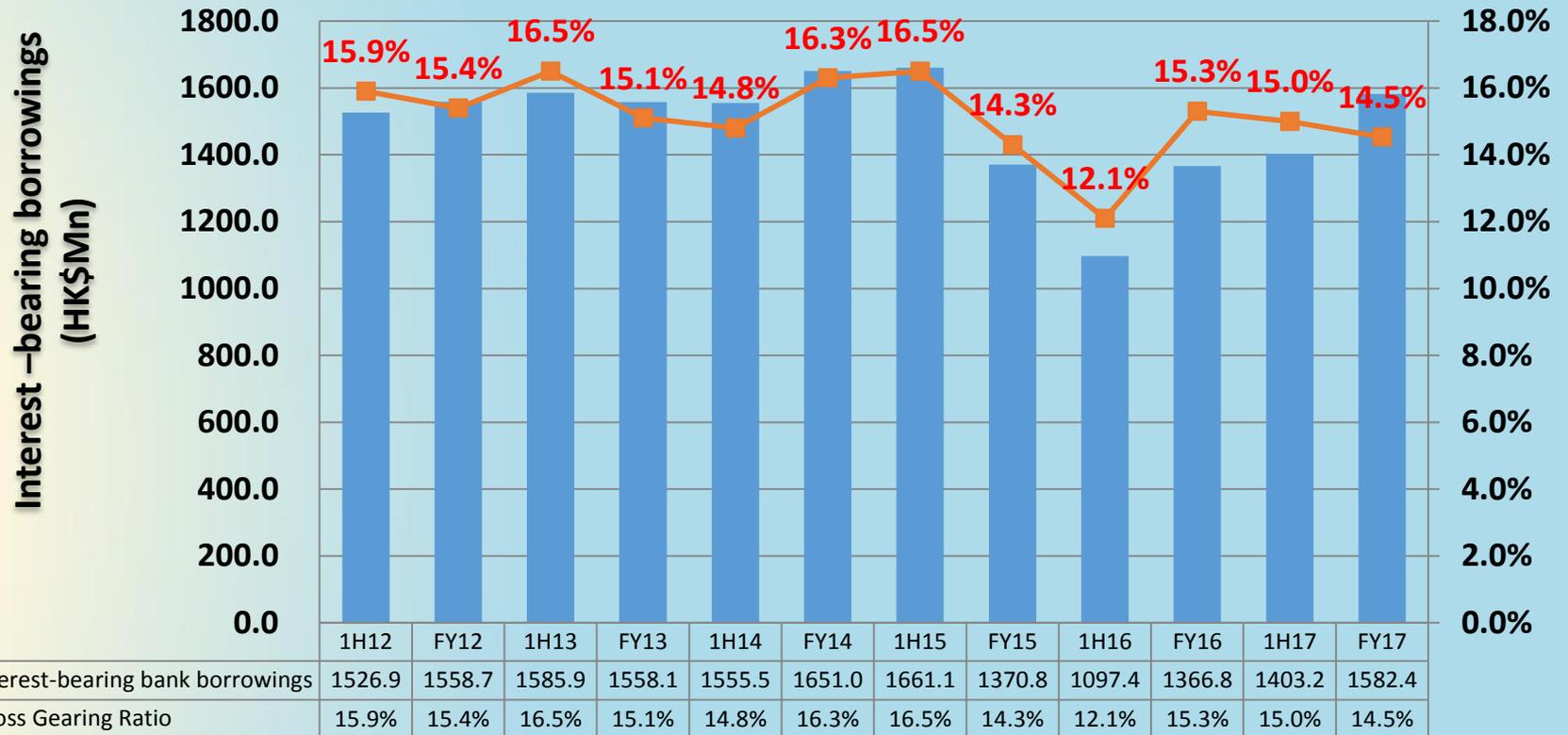
Financial Position

HK\$'000	As at 31 December		Change	As at 30 June 2017
	2017	2016		
Net cash / (debt)	(72,261)	260,800	(127.7%)	(304,806)
Total assets	10,891,728	8,954,959	21.6%	9,353,408
Total liabilities	6,560,238	5,461,810	20.1%	5,645,969
Net assets	3,766,311	3,437,687	9.6%	3,650,536
NAV per share (HK\$)	1.53	1.40	9.3%	1.48
Liabilities to assets ratio	60.2%	61.0%	(0.8%)	60.4%

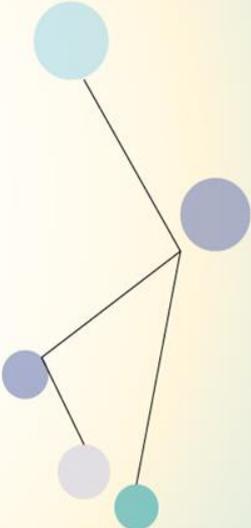
Key Financial Indicators

	For the year ended 31 December			For the six months ended
	2017	2016	Change	30 June 2017
Inventory turnover days	120	133	▼13 Days	127
A/R turnover days	274	239	▲35 Days	279
A/P turnover days	291	266	▲25 Days	284
Gross gearing ratio	14.5%	15.3%	▼0.8%	15.0%
Return on average equity	0.8%	4.3%	▼3.5%	5.3%

Gross Gearing Ratio Analysis



Financial Review



Revenue Breakdown by Customers

Revenue Breakdown by Businesses

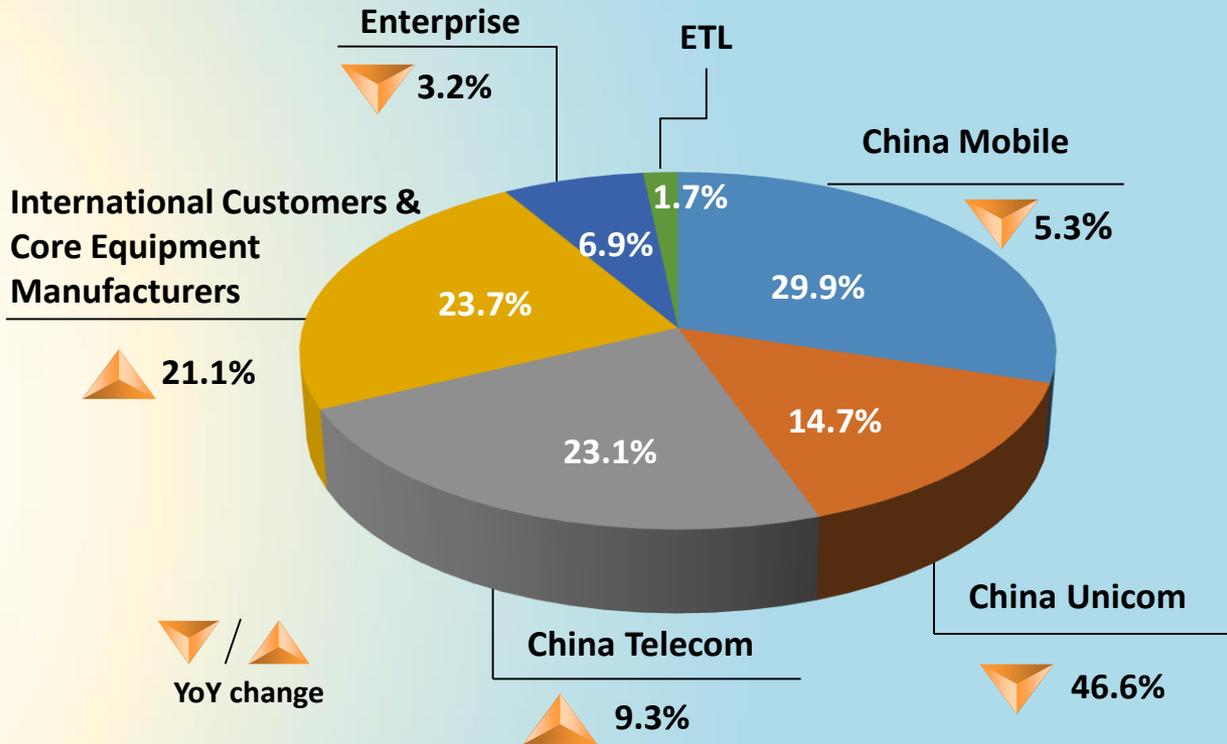
Expenses Structure

Revenue Breakdown by Customers



For the year ended 31 December 2017

Revenue (HK\$ Mn)



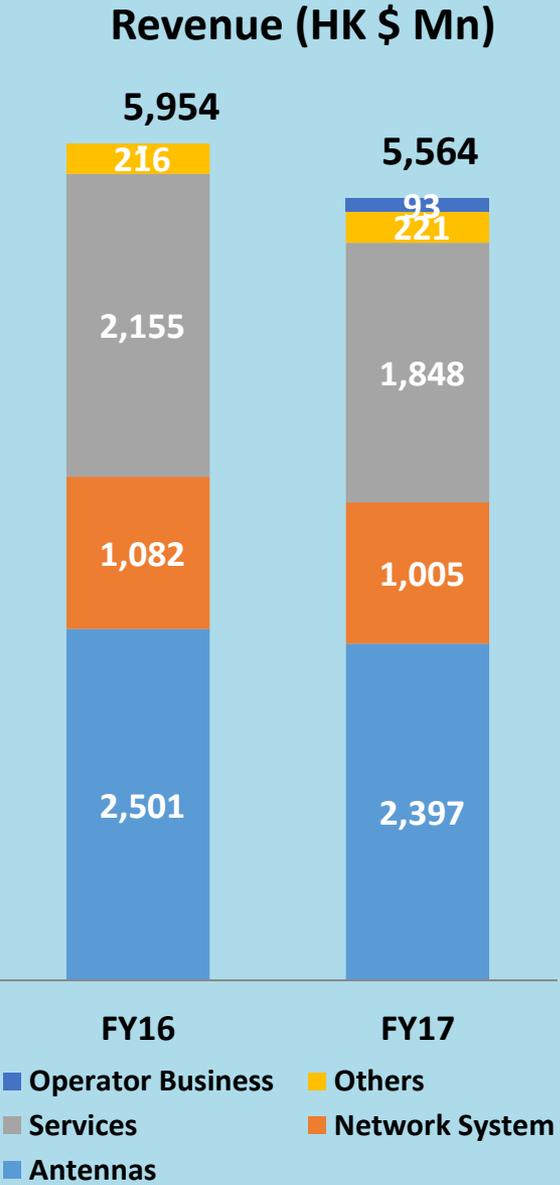
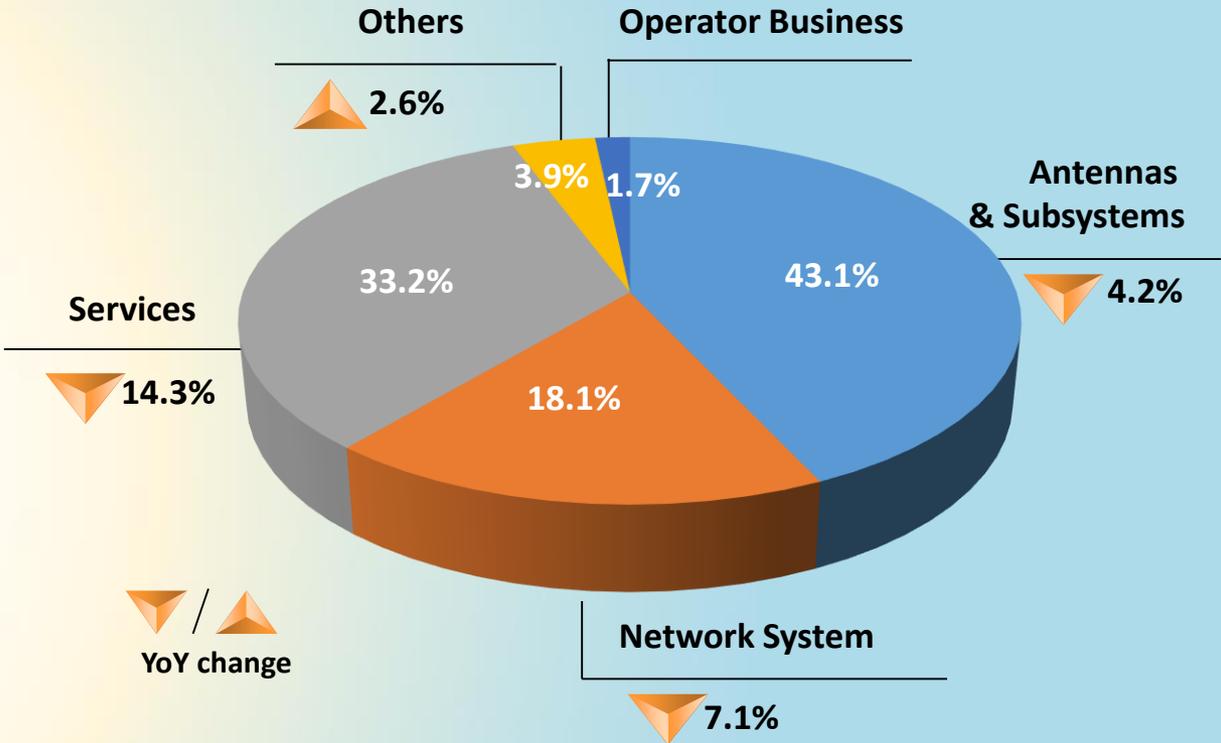
◆ China Tower accounted for approx. 52% in “Enterprise”;

◆ ETL was consolidated since July 31, 2017.

■ CM ■ CU ■ CT
■ Int'l ■ Enterprise ■ ETL

Revenue Breakdown by Businesses Comba

For the year ended 31 December 2017



- ◆ **Network System Business** (Wireless Access & Wireless Enhancement)
 --Among which, wireless access and wireless enhancement account for 5.2% and 12.8% respectively.
- ◆ **Other Business** (Wireless Transmission & Specialized Enterprise Network)
- ◆ **The Operator Business** was consolidated since July 31, 2017.

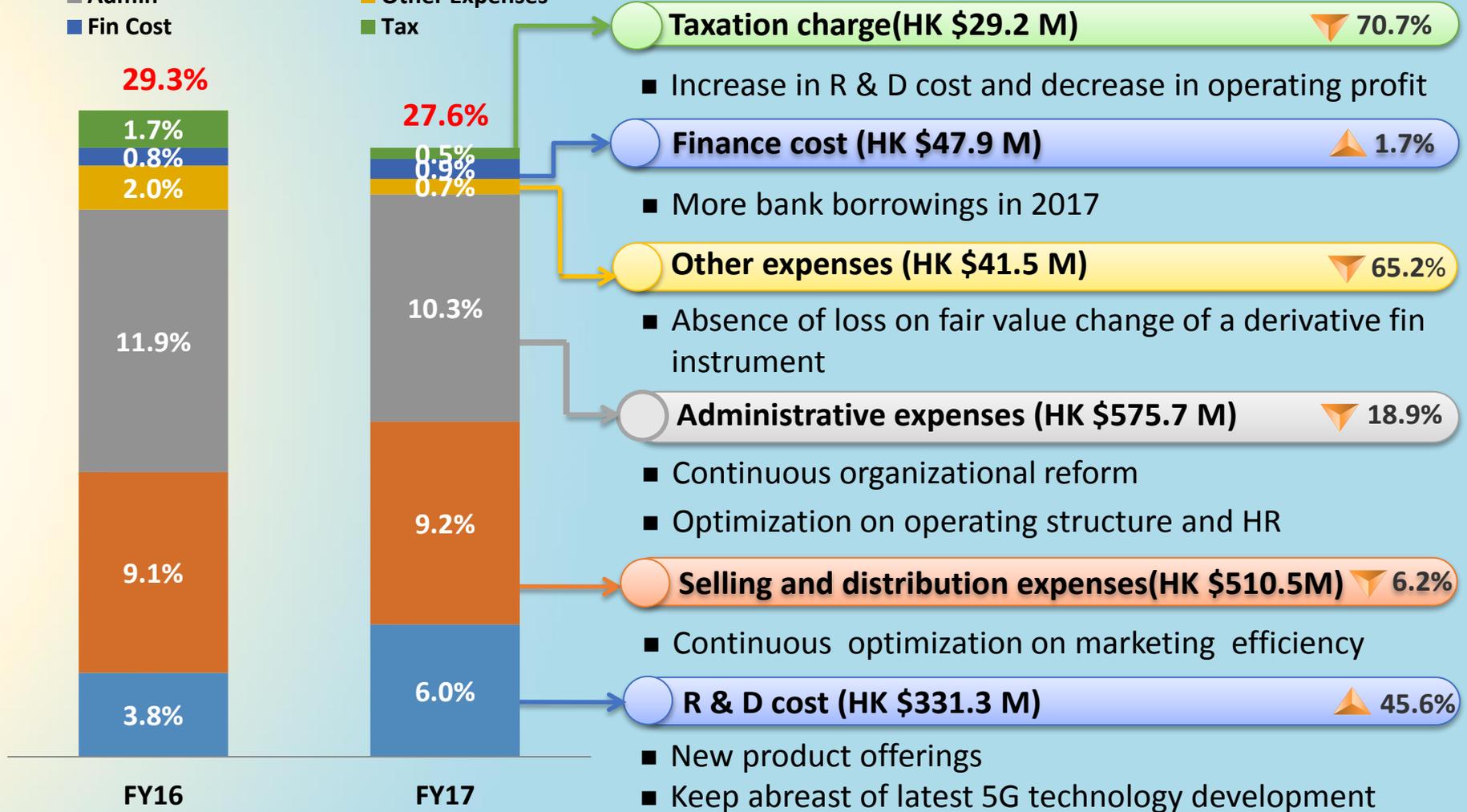
Expenses Structure

For the year ended 31 December
As % of Total Revenue

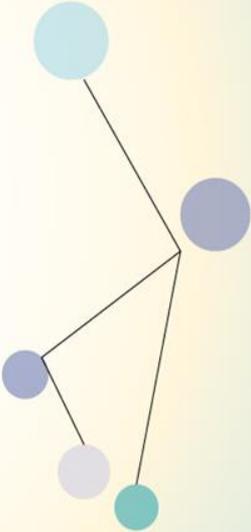
▼/▲ = YOY change

■ R&D
■ Admin
■ Fin Cost

■ S&D
■ Other Expenses
■ Tax



Customer Review



China Carriers

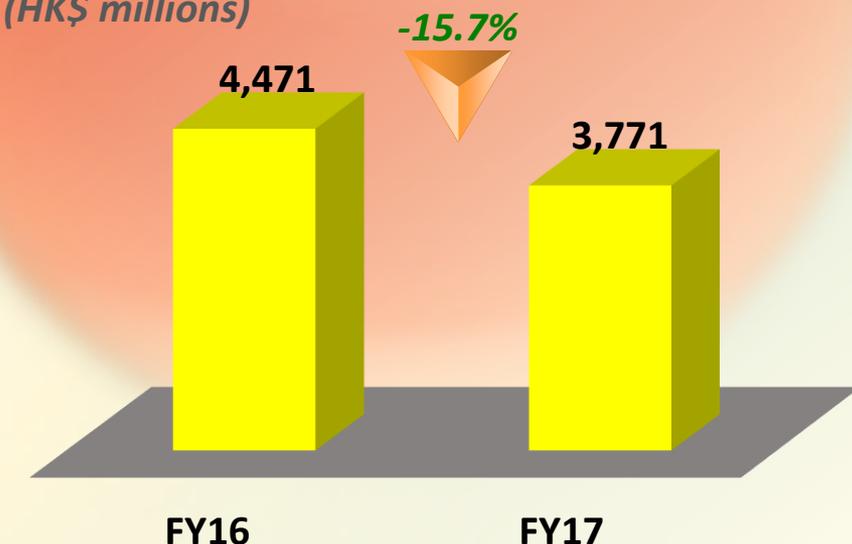
International Business &
Core Equipment Manufacturers

Enterprise Business

China Carriers

- FY Revenues decreased 15.7% to HK\$ 3,771 million
 - 2H revenue stabilizing: H/H sequential growth bottoming out from 1H

Revenue (HK\$ millions)



Review:

- Slowdown in wireless capex in 2017 Expected to ease in 2018

Opportunities:

- 2018 pockets of growth: NB-IoT and 4G spectrum refarming project tenders
- Ready for post 2018: Working with operators on development of 4.5G/5G next generation equipment
- Customer focus: New high capacity small cell + MEC solutions. Multi-band solution. NB-IoT tenders.

International Business & Core Equipment Manufacturers

Telefonica



NOKIA

ERICSSON



TURKCELL

Jio



اتصالات
etisalat

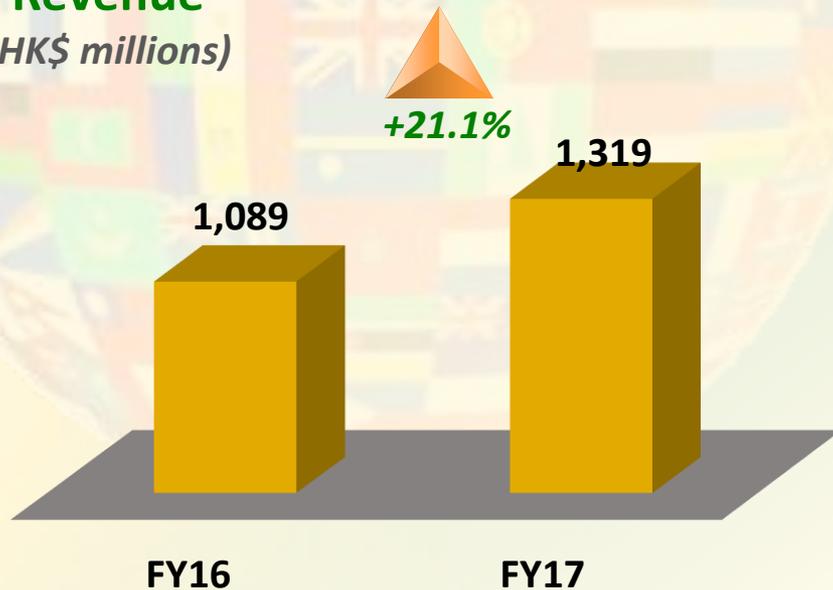
SmaTone



vodafone

ooredoo

Revenue
(HK\$ millions)



International Business & Core Equipment Manufacturers

- FY Revenues increased 21.1% to HK\$ 1,319 million
 - Strong 2H revenues at 40% y-o-y

Review:

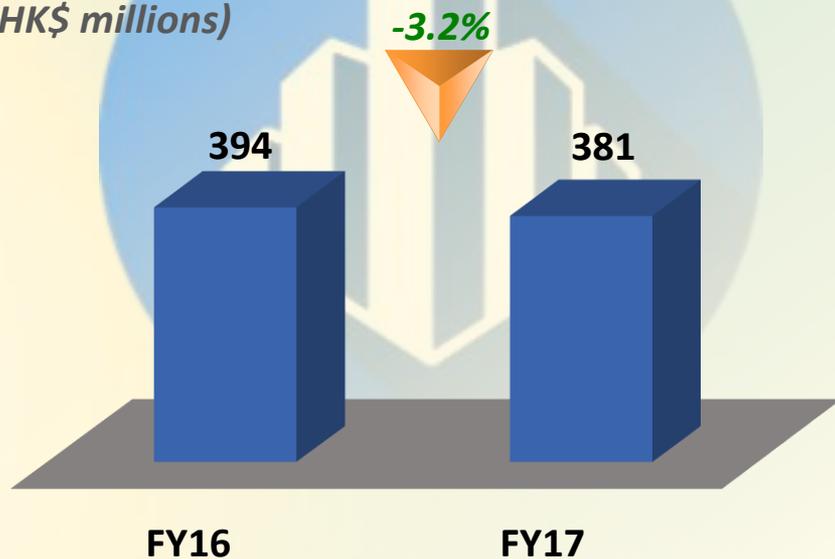
- Outperformed market against flat wireless CAPEX
- Global economic recovery in 2017 and 2018

Opportunities:

- Major wins and multi-year, cross-region agreements with international MNC operators/vendors
- Wireless enhancement phase in network evolution
- Strong brand recognition and increased marketing presence help drive new opportunities

Enterprise Business

Revenue
(HK\$ millions)



Enterprise Business

- FY Revenues decreased 3.2% to HK\$ 381 million (China Tower accounted for approx. 52% of revenue)
- Strategy of diversifying customer base beyond carriers

Review:

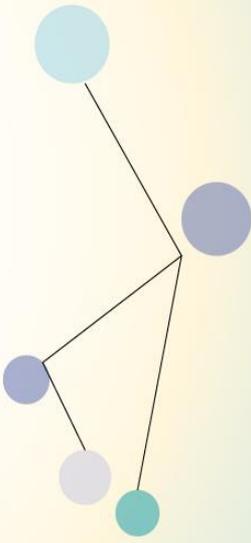
- Softening of towerco business in China reflecting the capex trends



Opportunities:

- Smart city and IoT trends accelerating enterprise/vertical adoption of wireless tech
- Development of wireless location, computer vision, big data solutions to address specific industry verticals

Business Review



Antennas & Subsystems

Network Systems

Services

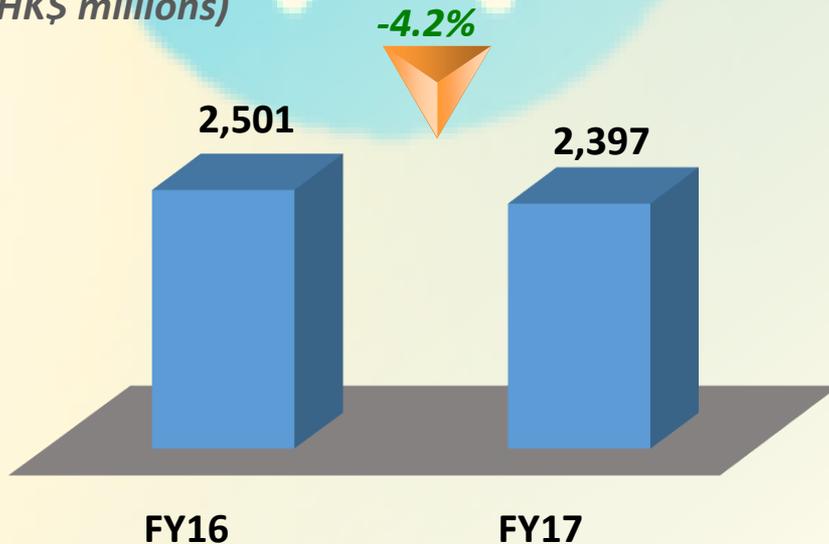


Combining Solutions



Antennas

Revenue
(HK\$ millions)



Antennas & Subsystems

- FY Revenues decreased 4.2% to HK\$ 2,397 million
 - Improved 2H revenues increased 15% y-o-y

Review:

- General global softness in antenna market demand

Opportunities:

- Solid growth and outlook for global OEM agreements with core equipment vendors
- Data capacity demands will drive upgrade/expansion of network
 - Multi-system antennas to maximize cellsite investments and reduce OPEX
 - High-port equipment with higher ASP
- China NB-IoT: Introduction of 4+4 port and small footprint antennas
- 4.5G and 5G: Already introduced massive MIMO antennas and continued development



DAS and Repeaters



Small Cells

Revenue
(HK\$ millions)

1,082

-7.1%

1,005

FY16

FY17



Network Systems

(includes Wireless Enhancement & Small Cells/WLAN)

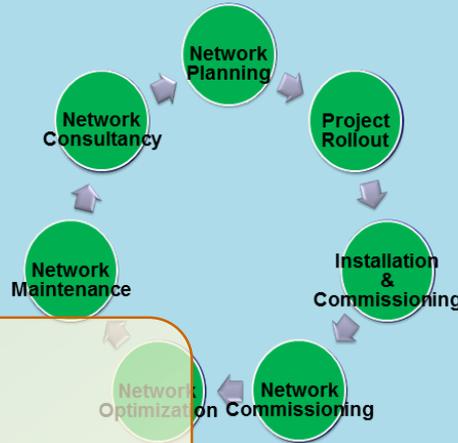
- FY Revenues decreased 7.1% to HK\$ 1,005 million

Review:

- Slowdown in DAS market in APAC and China
- Strong deployments of 4G indoor small cell systems in China and international in 2H

Opportunities:

- Network densification & enhancement projects globally
- Proliferation of network driven by SDN/NFV
- Specialized wireless enhancement offerings for enterprises
- New end-to-end solutions development for 4.5G and 5G



Revenue (HK\$ millions)

-14.3%

2,155

1,848

FY16

FY17

Services

(excludes Specialized Enterprise Network Services)

- FY Revenues decreased 14.3% to HK\$ 1,848 million
- Continued focus on quality service revenues with higher margins and profitability
- Key component of the total solutions offering
- Growth engine: Services for enterprise segment as entry point for new solutions



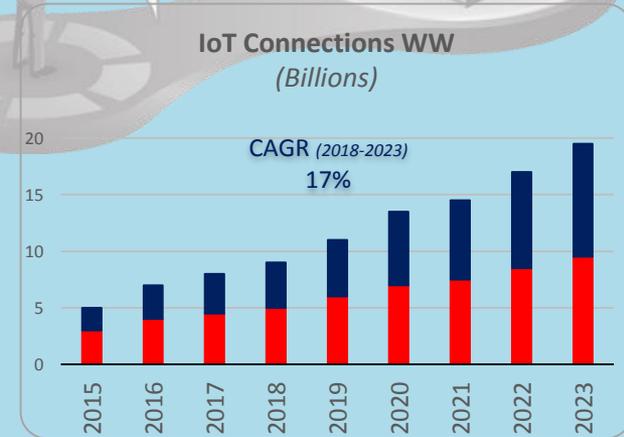
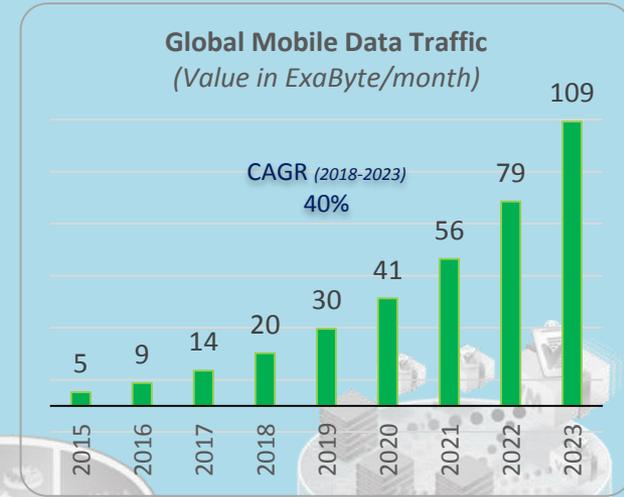
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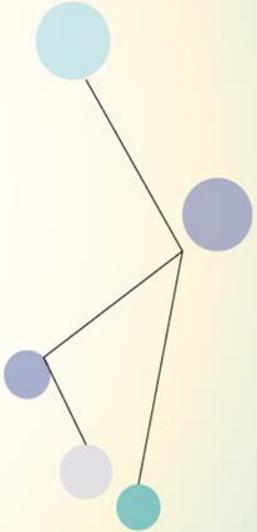
■ Stability in core business:

- Overall business shows signs of turning around (H/H% growth @4%)
 - International & OEM - an engine of future growth
 - Improved performance of antennas: growth in 2H
 - Data capacity demands driving wireless enhancement for operators in international and china

■ Where's the Growth?

- Increasing data demands – mobile traffic expected to hit 109 EB by 2023. (Source: Ericsson 11/17)
 - Drive macro network infrastructure improvements
- Development of smart city solutions and ecosystems – approx. 20B IoT devices by 2023 (Source: GSMA 02/18)
 - Further drive data
 - Continued development of smart solutions
- Huge growth potential in smart city and enterprise
- Longer term: 5G investments expected to accelerate post 2018
 - Well positioned with solid R&D program for product/solution already in development





Thank You