

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

Innovating on Business, Exploring Opportunities,
Enhancing Efficiency and Refining Operations

創新業務，開拓商機
提升效率，優化經營

2015 Interim Results Corporate Presentation

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Agenda

- Financial Highlights
- Financial Review
- Customer Review
- Business Review
- Open Forum

Financial Highlights

- Financial Results
- Exceptional Items
- Proforma Financial Results
- Financial Position
- Key Financial Indicators
- 3-Yr Term Loan Facilities

Financial Results

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HK\$'000	For the six months ended 30 June			For the year ended 31 December 2014
	2015	2014	Change	
Revenue	3,345,331	3,023,575	10.6%	6,733,214
Gross profit	973,504	851,668	14.3%	1,760,010
Gross profit margin	29.1%	28.2%	0.9 pp	26.1%
Operating profit	219,108	135,299	61.9%	263,199
Tax	72,589	36,783	97.3%	47,532
Profit attributable to shareholders	108,803	72,305	50.5%	151,061
Net profit margin	3.3%	2.4%	0.9 pp	2.2%
Basic earnings per share (HK cents)	5.91	3.94 (restated)	50.0%	8.22 (restated)
Operating cash flow	(152,730)	(647,184)	76.4%	141,259
Proposed interim / final dividend per share (HK cents)	1.50 (interim)	1.20 (interim)	25.0%	1.30 (final)
Proposed bonus issue of share	1 for 10 (interim)	1 for 10 (interim)	N.A.	1 for 10 (final)

Exceptional Items

<i>HK\$'000</i>		For the six months ended 30 June				For the year ended 31 Dec 2014	
Items	Details	2015	Margin Impact	2014	Margin Impact		
1	Cost of sales	Inventories written-off	(85,388)	GPM ▼ 2.6 pp	(14,319)	GPM ▼ 0.5 pp	(66,739)
2	Impairment of trade receivables	Certain overseas receivables written-off	(16,025)	OPM ▼ 0.5 pp	(17,876)	OPM ▼ 0.6 pp	(57,719)
3	Exchange (loss) / gain	Mostly from BRL	(54,798)	OPM ▼ 1.6 pp	22,341	OPM ▲ 0.7 pp	(59,183)
		TOTAL	(156,211)	NPM ▼ 4.7 pp	(9,854)	NPM ▼ 0.3 pp	(183,641)

Proforma Financial Results

(Assuming NO Exceptional Items)

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<i>HK\$'000</i>	For the six months ended 30 June			For the year ended 31 Dec 2014
	2015	2014	Change	
Revenue	3,345,331	3,023,575	10.6%	6,733,214
Gross profit	1,058,892	865,987	22.3%	1,826,749
Gross profit margin	31.7%	28.6%	3.1 pp	27.1%
Operating profit	375,319	145,153	158.6%	446,840
Profit attributable to shareholders	265,014	82,159	222.6%	334,702
Net profit margin	7.9%	2.7%	5.2 pp	5.0%

Financial Position

<i>HK\$'000</i>	As at 30 June 2015	As at 31 December 2014	Change	As at 30 June 2014
Net (debt) / cash	(411,478)	(17,113)	2,304.5%	(687,514)
Total assets	10,061,152	10,136,732	(0.7%)	10,486,904
Total liabilities	6,225,131	6,370,777	(2.3%)	6,764,634
Net assets	3,778,083	3,709,791	1.8%	3,668,049
NAV per share (HK\$)	2.04	2.01 <i>(restated)</i>	1.5%	1.99 <i>(restated)</i>

Key Financial Indicators

	For the six months ended 30 June			For the year ended
	2015	2014	Change	31 December 2014
Inventory turnover days	162	200	(38) Days	164
A/R turnover days	253	293	(40) Days	244
A/P turnover days	257	323	(66) Days	267
Gross gearing ratio	16.5%	14.8%	1.7 pp	16.3%
Dividend payout ratio	25.4%	25.2%	0.2 pp	27.7%
Return on average equity	5.8%	3.9%	1.9 pp	4.1%

3-Yr Term Loan Facilities

HSBC  滙豐

 中國銀行(香港)
BANK OF CHINA (HONG KONG)

 中信銀行(国际)
CHINA CITIC BANK INTERNATIONAL

 恒生銀行
HANG SENG BANK

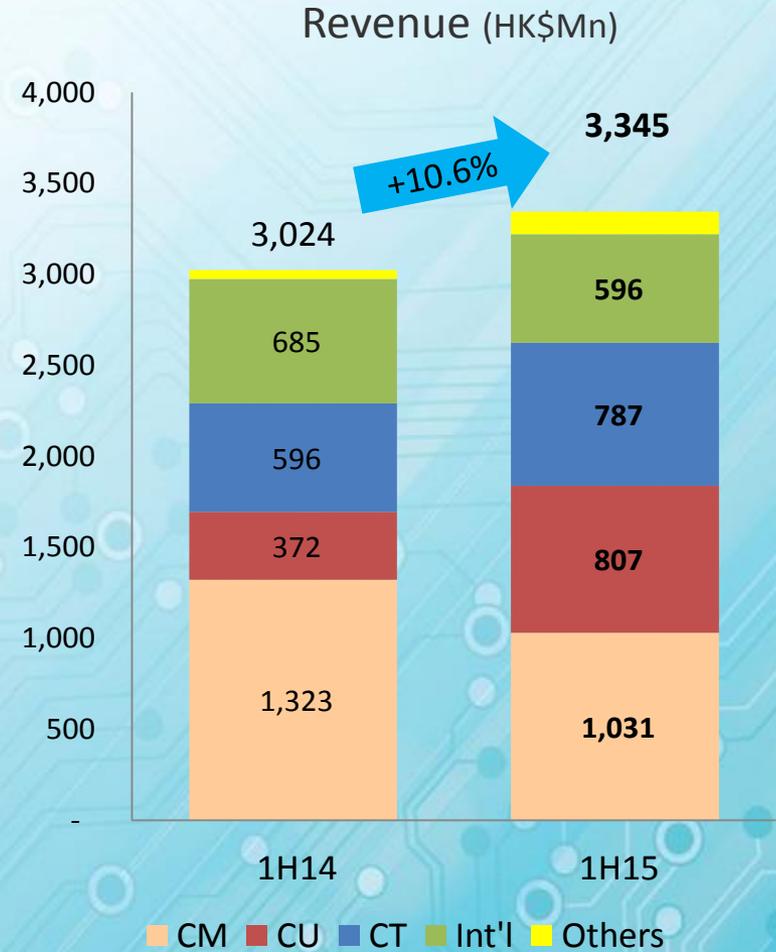
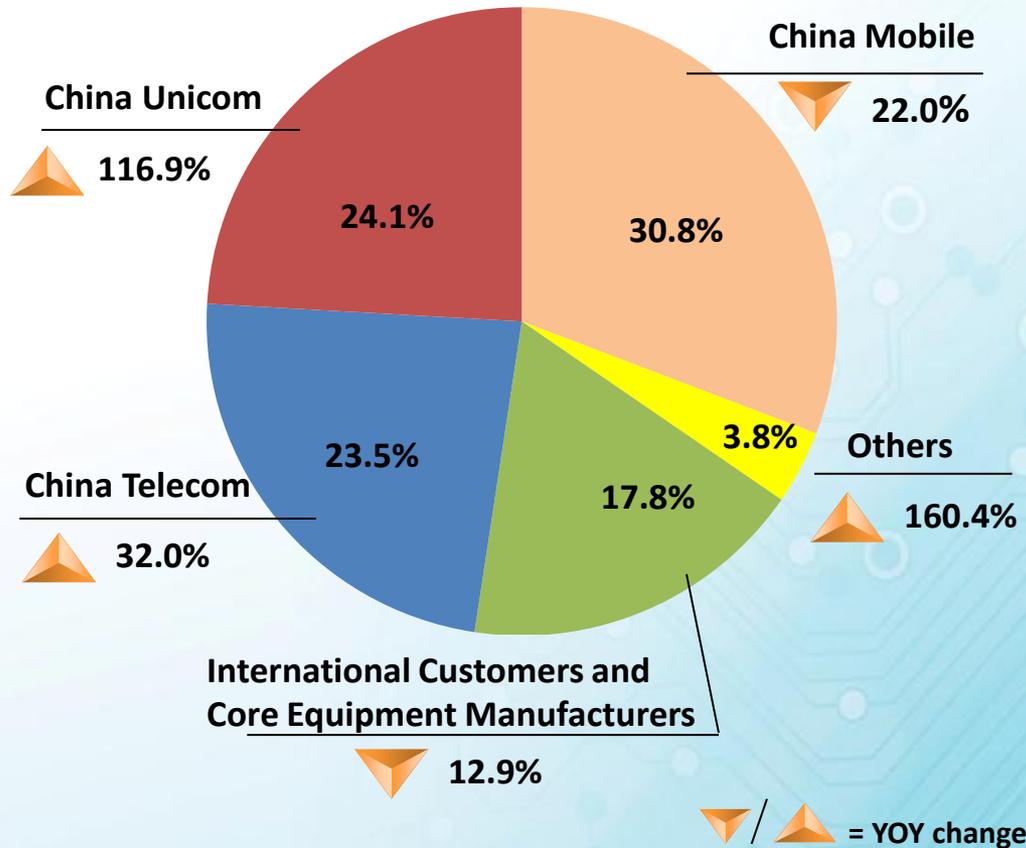
- Loan facility amount of **US\$200 million**
- Fairly low interest rate: LIBOR + ~3%
- Use of proceeds:
 - ✓ *Repayment of the partial existing loans and indebtedness*
 - ✓ *Working capital*
 - ✓ *Business expansion*
 - ✓ *R&D*

Financial Review

- Revenue Breakdown by Customers
- Revenue Breakdown by Businesses
- Cost Structure

Revenue Breakdown by Customers

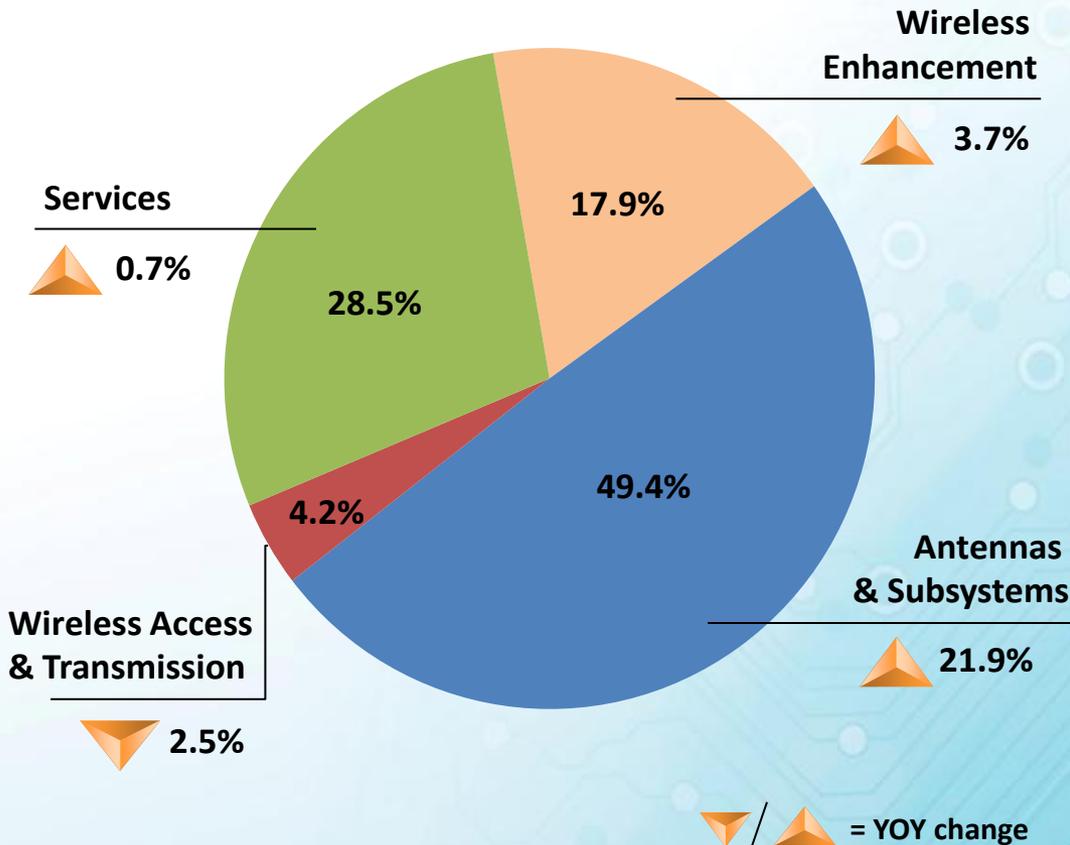
For the six months ended 30 June 2015



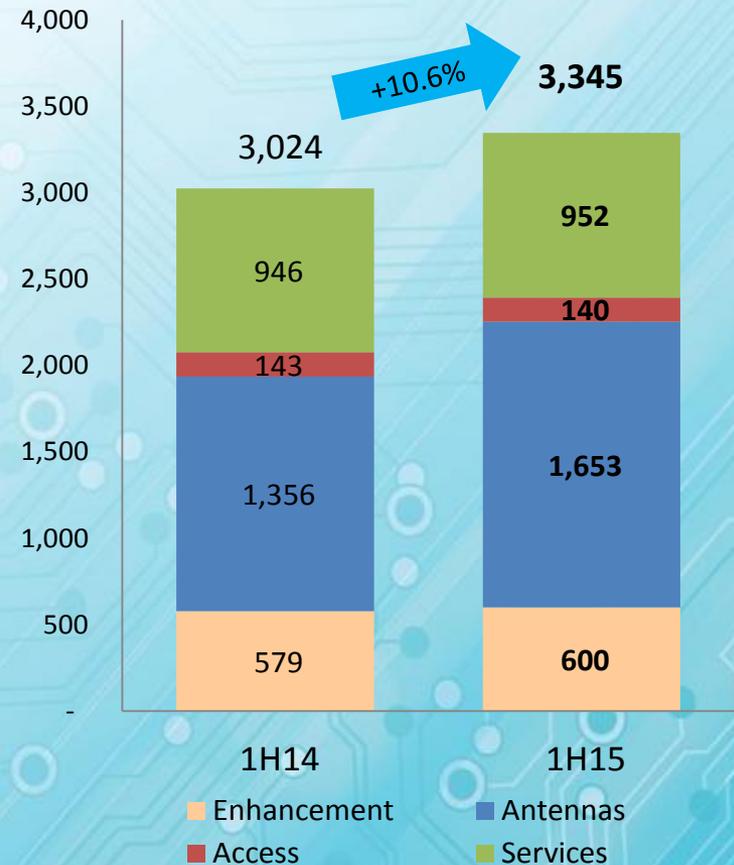
18% growth for the PRC business

Revenue Breakdown by Businesses

For the six months ended 30 June 2015



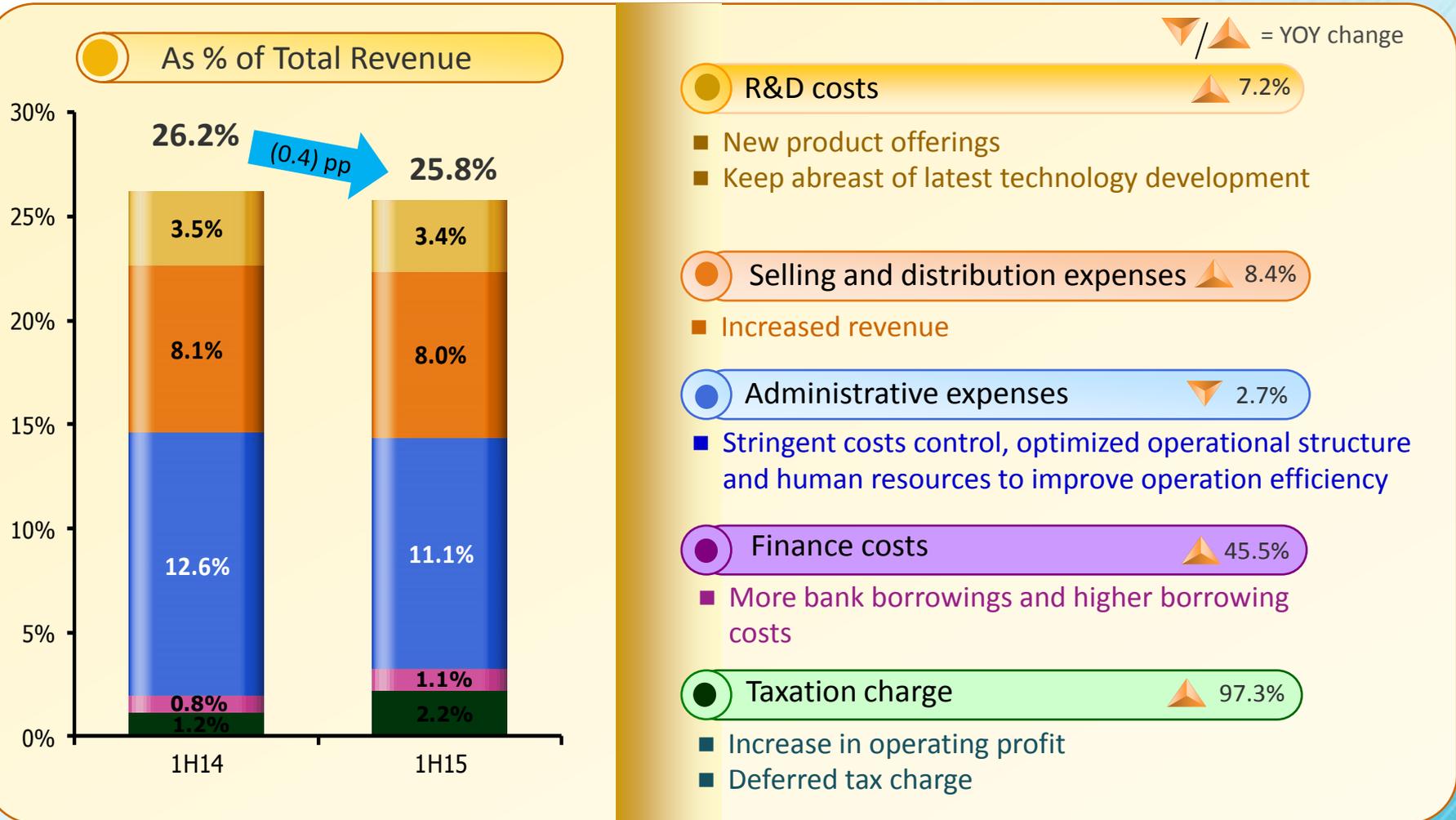
Revenue (HK\$Mn)



Growth in most business segments

Cost Structure

For the six months ended 30 June



Increasing Economies of Scale Benefits

Customer Review

- Global Customers
- China Business
- International Customers & Core Equipment Manufacturers

Global Customers

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China



中国移动通信
CHINA MOBILE



China unicom 中国联通



中国电信
CHINA TELECOM



Core Equipment Vendors



HUAWEI



Alcatel-Lucent



NOKIA



ZTE 中兴



SAMSUNG



ERICSSON

EMEA



Telefonica



MEΓΑΦΩΝ



TURKCELL



اتصالات
etisalat



orange™



TELE2



STC
الاتصالات السعودية



ooredoo



optimus



IQO



WATANIYA



Beeline™



موبايلي
mobily



vodafone



T-Mobile



MTN



zain

APAC



true



Taiwan Mobile



CSL



SingTel



3



ZONG



Dialog



m1



中国移动通信
CHINA MOBILE



亞太電信
Asia Pacific Telecom



FAR EAST STONE



AIS
ชีวิตใหม่บนคลื่น



celcom



SmarTone



MILLICOM

Americas



Telefonica



at&t



TELMEX



movistar



USACELL



metroPCS
Unlimit Yourself.



vivo



américa
móvil



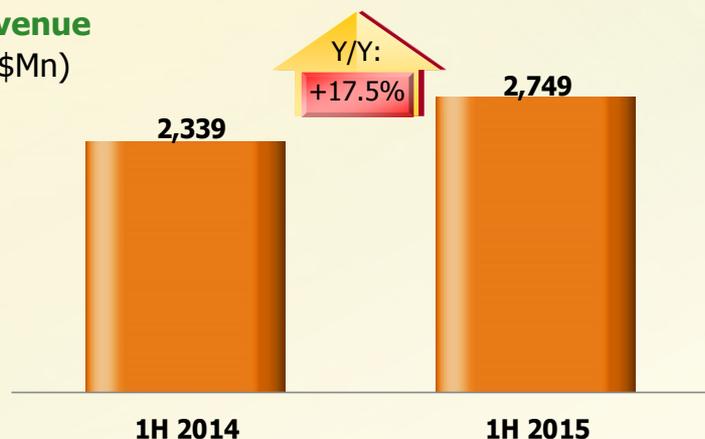
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Revenue
(HK\$Mn)



Review & Opportunities:

- Revenues increased 17.5% to HK\$ 2,749 million
- China 4G market flourishing
- Increase in wallet share of certain operators

2015 and beyond

- State-driven initiatives to increase penetration of broadband (inc LTE) to urban and rural areas
- User behavior creating demands on data capacity and throughput on wireless networks
- LTE-A and LTE-U initiatives driving network enhancement and capacity requirements
- Comba solutions are well-positioned to address:
 - Network buildouts
 - Network capacity requirements
 - Co-siting, multi-system/operator solutions

International Customers & Core Equipment Manufacturers

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Review & Opportunities:

- Revenues decreased 12.9% to HK\$ 596 million
- International customer revenues flat from 1H 2014 and decrease in OEM sales for same period
- FOREX affecting purchasing power of customers

2015 and beyond

- Growth areas include network densification and IBS in mature markets. Network rollout and upgrades in others.
- Growth in IBS verticals worldwide
- LTE commercialization and HetNet infrastructure spending
- Alignment with operator priorities on technologies that can be deployed in next 1-2 years

Revenue
(HK\$ Mn)



Business Review

- Antenna & Subsystems
- Wireless Enhancement
- Wireless Access & Transmission
- Services
- Summary

Antennas & Subsystems



Antennas



RF Front Ends



Combining Solutions

Revenue
(HK\$ Mn)



Review & Opportunities:

- Revenues increased 21.9% to HK\$ 1,653 million
- Strong investment on 2G/3G/4G macrocell infrastructure:
 - LTE antenna deployment for China 4G network rollout
 - International operator demand for antennas and subsystems

2015 and beyond

- Continuing China 4G network rollouts
- New and continuing 3G and 4G network buildouts around the world continues
- Capacity demand continues:
 - Driving demand for MIMO and carrier aggregation antenna & subsystem solutions
- Focus on R&D for product development of antenna and passives to address market opportunities

Wireless Enhancement



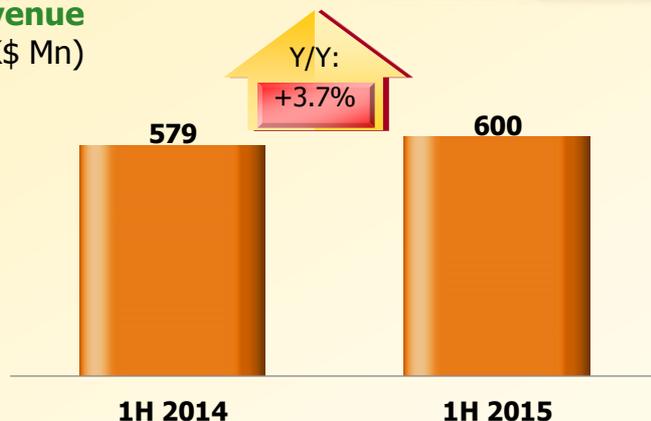
Review & Opportunities:

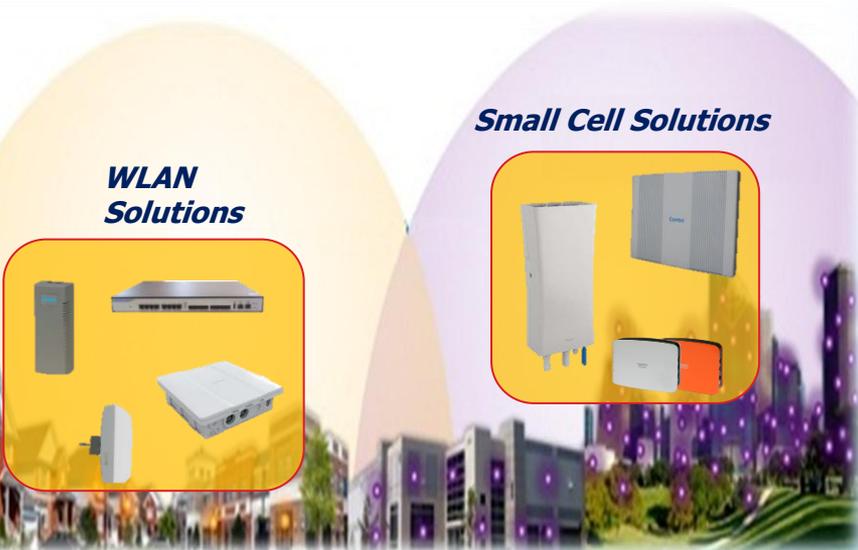
- Revenues increased 3.7% to HK\$ 600 million
- Strategically diversifying customer base of wireless enhancement equipment to OEM

2015 and beyond

- Long term growth of in-building wireless market
- Growth in demand for vertical specific DAS solutions including outdoor DAS
- Huge capacity demands in networks and high density areas driving wireless enhancement solutions
- Market-proven multi-band, multi-operator DAS portfolio
 - Successful deployment in key projects allows solid value proposition for upcoming major sporting events
- Growth of enterprise wireless network for focused capacity and featured solutions supporting
 - LTE-A, LTE-U, Wi-Fi
 - with integrated enhanced feature sets

Revenue
(HK\$ Mn)





Review & Opportunities:

- Revenues decreased 2.5% to HK\$ 140 million

WIRELESS ACCESS

(WLAN Solutions + Small Cell Solutions)

- Deployment of 3G and 4G small cell solutions in China
- Promising outlook for small cell solutions in international market
- Positive growth in small cell business offset by drop in revenue for carrier wi-fi solutions

2015 and beyond

- Exploding wireless data usage globally driving offload solution demands.
- Solid small cell deployment from operators experiencing real benefits in small cell technology
- Integration of small cell and Wi-Fi solutions for wireless network capacity enhancement
- Global enterprise trend for big data analytics driving the need for location based services and associated solutions





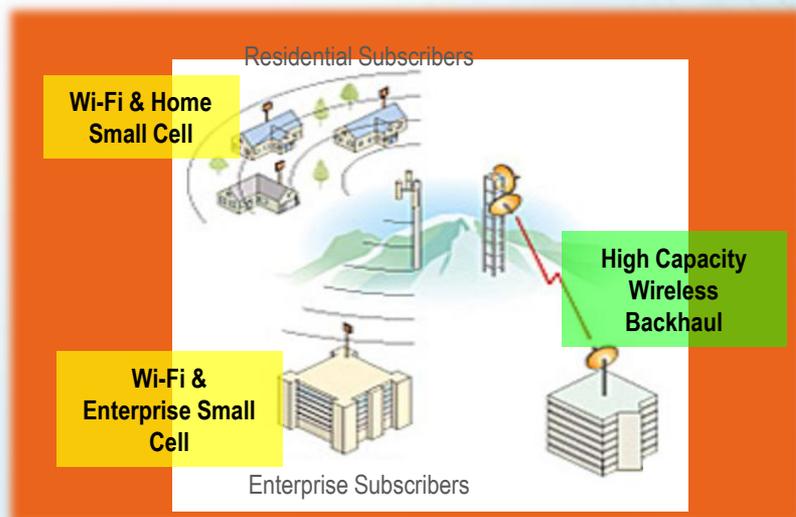
WIRELESS TRANSMISSION

(Digital Microwave Systems & Satellite Solutions)

- Satisfactory growth for wireless transmission solutions driven by IP-based networks
- Development of innovative integrated solutions including small cell backhaul solutions
- Diversified customer base to include carriers, enterprise and WISP
- Established SatCom solutions in the China market

2015 and beyond

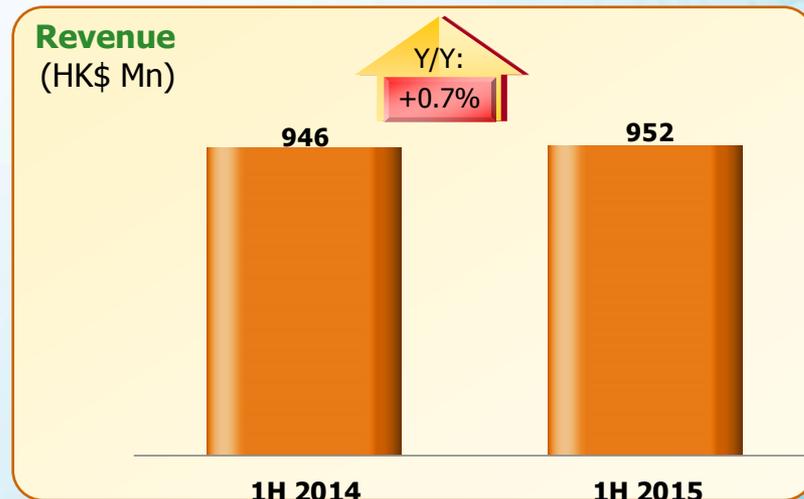
- Commercialization of China's Satellite Communications market
 - SatCom solutions are well positioned to leverage on future opportunities
- Demand for IP microwave full outdoor systems
- High-speed and high-capacity network requirements to drive backhaul solution demands





Review & Opportunities:

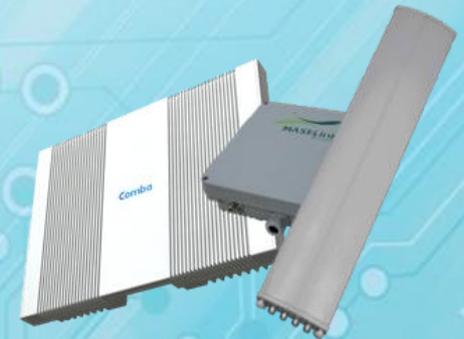
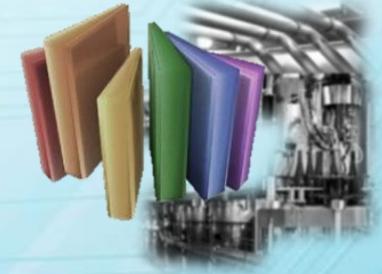
- Revenues increased 0.7% to HK\$ 952 million
- Key differential element enabling the Comba to supply total solutions
- Services include maintenance, consultancy, commissioning, network optimization and project management
- Established service offering teams internationally to drive growth
 - Successful cross-sell strategy promoting services with hardware sales and vice versa



Summary & Conclusion

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- **Increasing network capacity demands is the growth driver of the core business:**
 - China 4G network rollouts (FDD and TDD)
 - Capacity Enhancement demand for existing and new solutions
 - Continued international growth
 - Network densification & enhancement for mature markets
 - New network buildouts & upgrades for developing markets
 - Growth in enterprise wireless network segments
- **New opportunities being addressed:**
 - Satellite solutions for the imminent commercialization of China's SatCom market
 - Location Based Solutions to address Big Data trend



Open Forum