

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 Interim 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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Agenda

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I. Financial Highlights

II. Financial Review

III. Customer Review

IV. Business Review

Financial Highlights

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Financial Results

Dividends & Bonus Shares

Exceptional Items

Financial Position

Key Financial Indicators

Financial Results



HK\$'000	For the six months ended 30 June			For the year ended 31 December 2016
	2017	2016	Change	
Revenue	2,721,948	3,098,952	(12.2%)	5,954,328
Gross profit	769,832	934,013	(17.6%)	1,728,391
Gross profit margin	28.3%	30.1%	(1.8pp)	29.0%
Operating profit	175,851	198,183	(11.3%)	301,628
Tax	57,191	57,944	(1.3%)	99,726
Profit attributable to shareholders	94,205	112,508	(16.3%)	152,257
Net profit margin	3.5%	3.6%	(0.1pp)	2.6%
Basic earnings per share (HK cents)	3.85	4.60 <i>(restated)</i>	(16.3%)	6.23

Dividends & Bonus Shares



	For the six months ended 30 June		For the year ended 31 Dec 2016
	2017	2016	
Proposed interim/final dividends per share (HK Cents)	-- (interim)	1.5 (interim)	0.8 (final)
Proposed bonus of shares	-- (interim)	1 for 10 (interim)	-- (final)
Dividend payout ratio	--	29.6%	36.9%

Exceptional Items



	HK\$'000	Details	For the six months ended 30 June				For the year ended 31 Dec 2016
			Items	2017	Margin Impact	2016	
1	Cost of sales	Inventories written-off	(30,309)	GPM▼ 1.1pp	(92,655)	GPM▼3.0 pp	(83,587)
2	Impairment of account receivables	Certain overseas receivables written-off	--	--	(41,276)	OPM▼1.3pp	(46,568)
3	Exchange gain (loss)	Mostly from BRL	(3,471)	OPM▼0.1pp	63,028	OPM▲2.0pp	69,458
4	Fair Value change of a derivative instrument	Hedge against BRL fluctuation	--	--	(48,026)	OPM▼1.5pp	(59,559)
		TOTAL	(33,780)	NPM▼1.2pp	(118,929)	NPM▼3.8pp	(120,256)

Financial Position



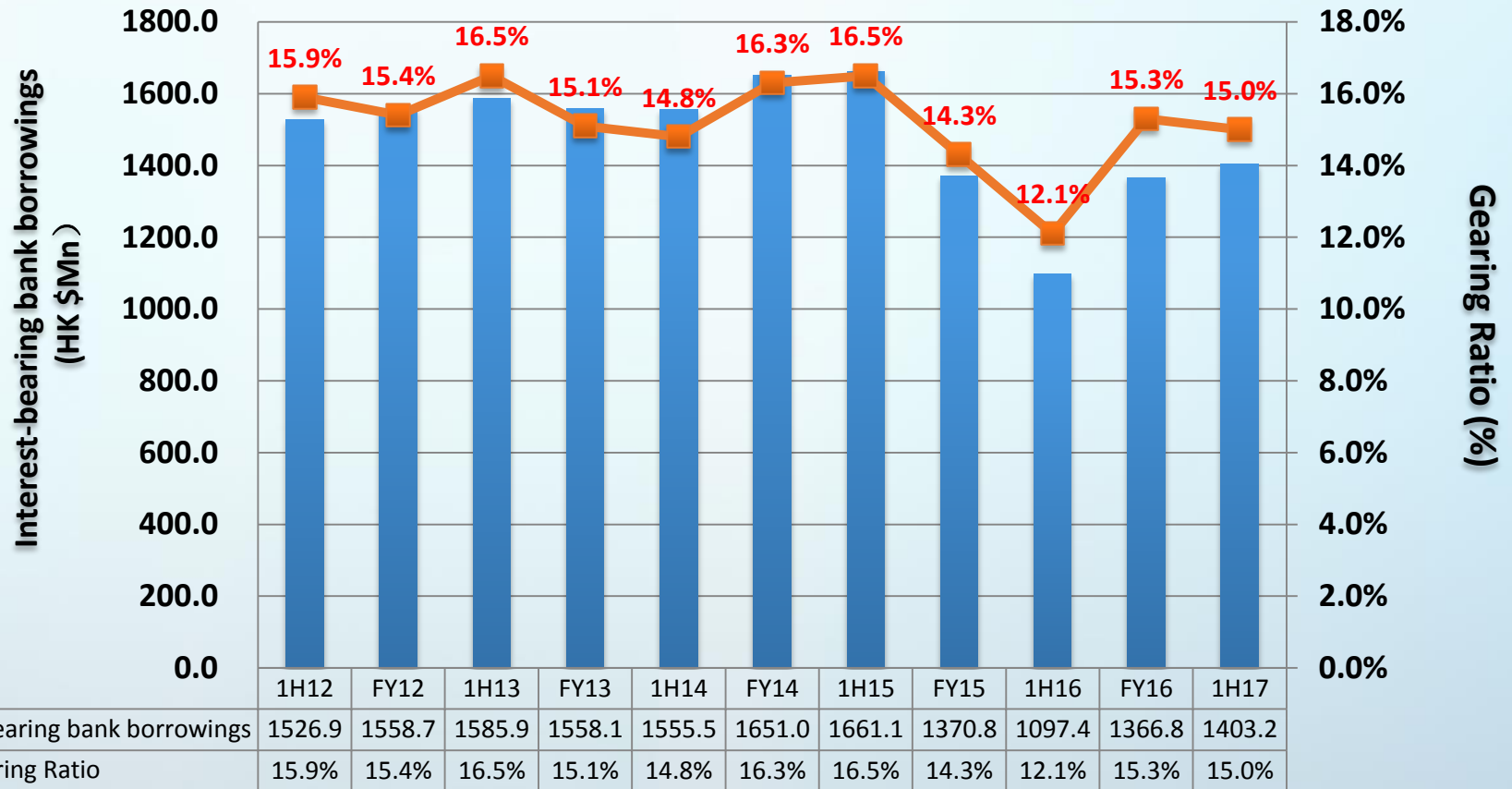
HK\$'000	As at 30 June		Change	As at 31 Dec 2016
	2017	2016		
Net cash / (debt)	(304,806)	179,791	--	260,800
Total assets	9,353,408	9,071,475	3.1%	8,954,959
Total liabilities	5,645,969	5,396,359	4.6%	5,461,810
Net assets	3,650,536	3,616,666	0.9%	3,437,687
NAV per share (HK\$)	1.48	1.47 <i>(restated)</i>	0.7%	1.40

Key Financial Indicators



	For the six months ended 30 June			For the year ended 31 Dec 2016
	2017	2016	Change	
Inventory turnover days	127	136	▼9 Days	133
A/R turnover days	279	247	▲32 Days	239
A/P turnover days	284	269	▲15 Days	266
Gross gearing ratio	15.0%	12.1%	▲2.9pp	15.3%
Return on average equity	5.3%	6.2%	▼ 0.9pp	4.3%

Gross Gearing Ratio Analysis



Financial Review



Revenue Breakdown by Customers

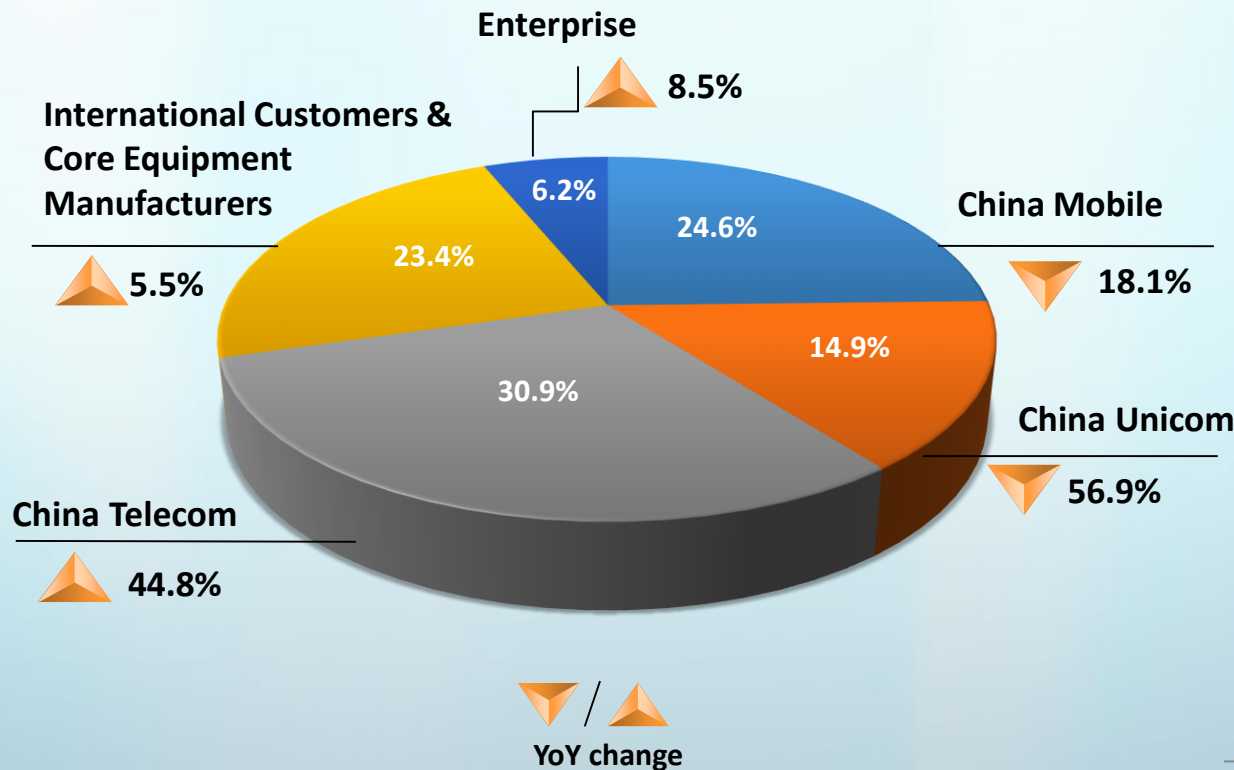
Revenue Breakdown by Businesses

Expenses Structure

Revenue Breakdown by Customers

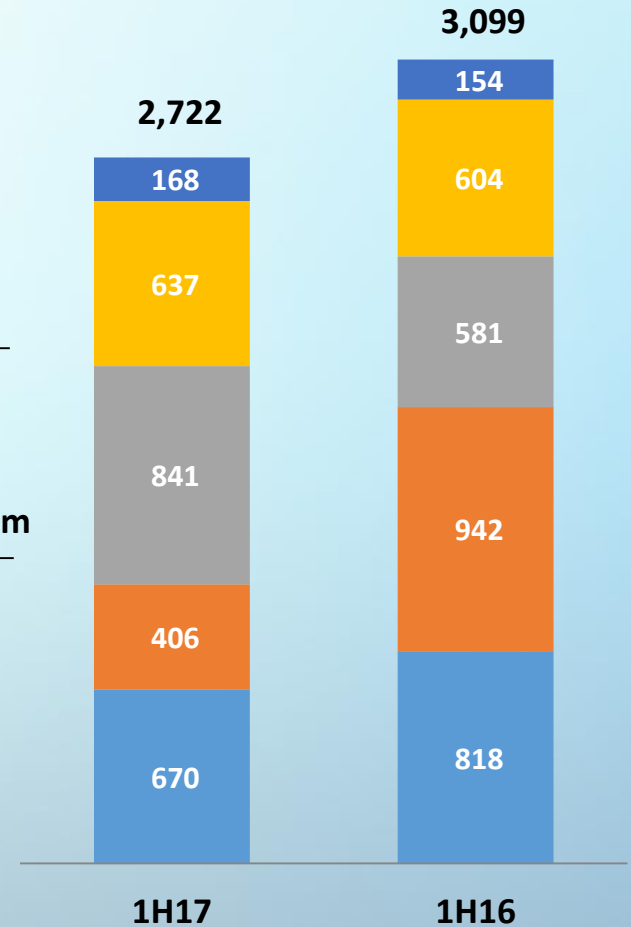


For the six months ended 30 June 2017



***China Tower accounted for approx. 55% in "Enterprise"

Revenue (HK\$ Mn)

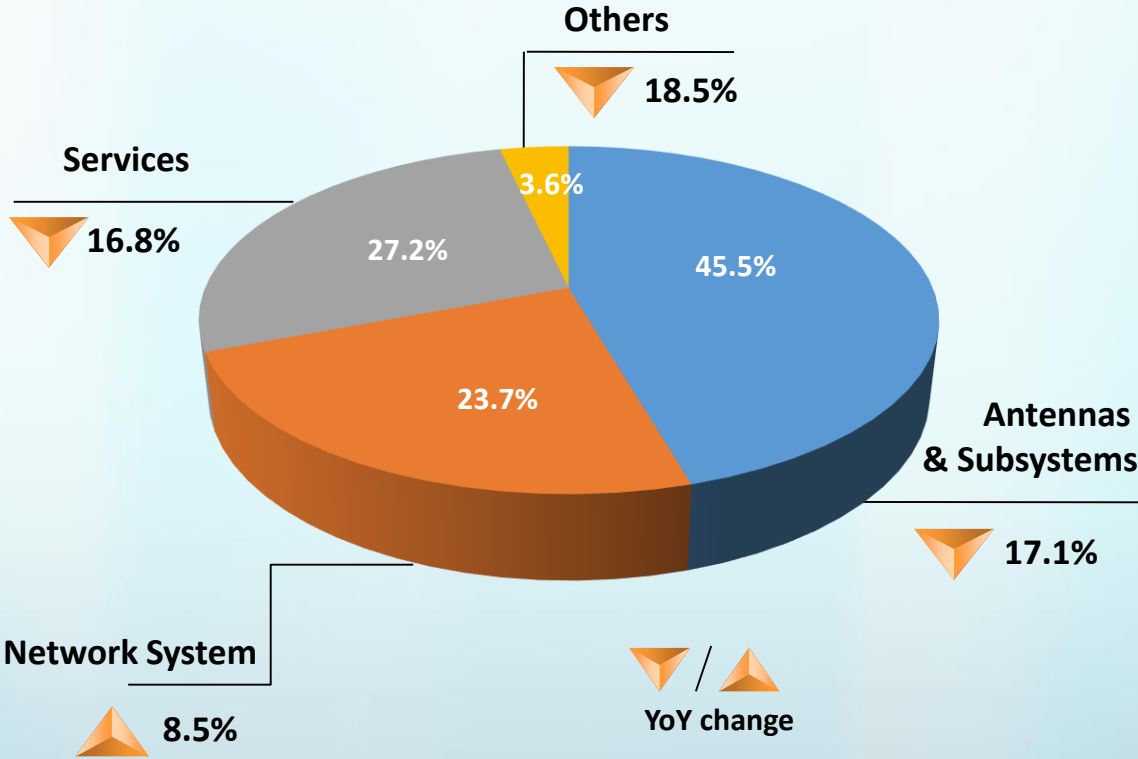


■ CM ■ CU ■ CT ■ Int'l ■ Enterprise

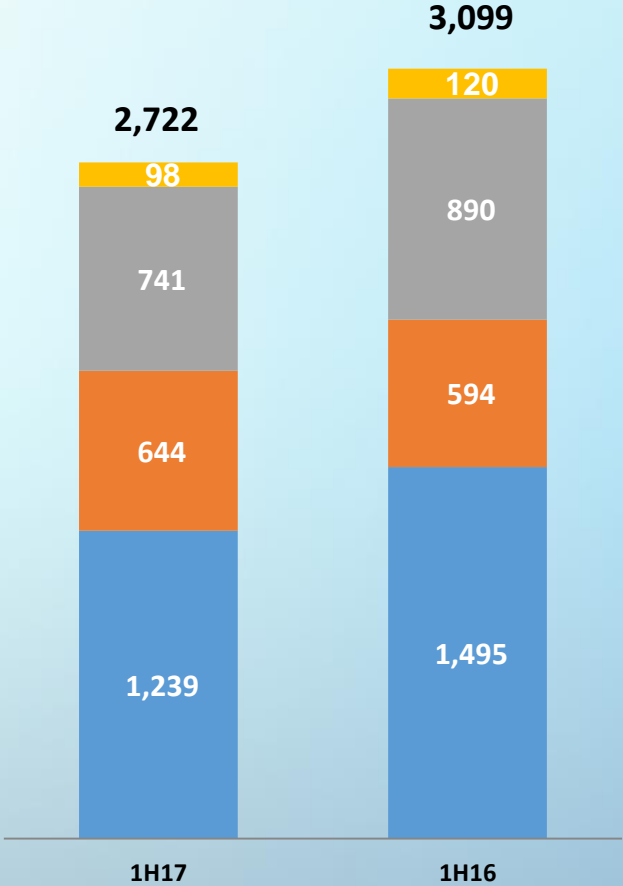
Revenue Breakdown by Businesses



For the six months ended 30 June 2017



Revenue (HK \$Mn)



Since 1H2017,

- ◆ **Network System Business** (Wireless Access & Wireless Enhancement)
- ◆ **Other business** (Wireless Transmission & Specialized Enterprise Network)

Antennas
Services
Network System
Others

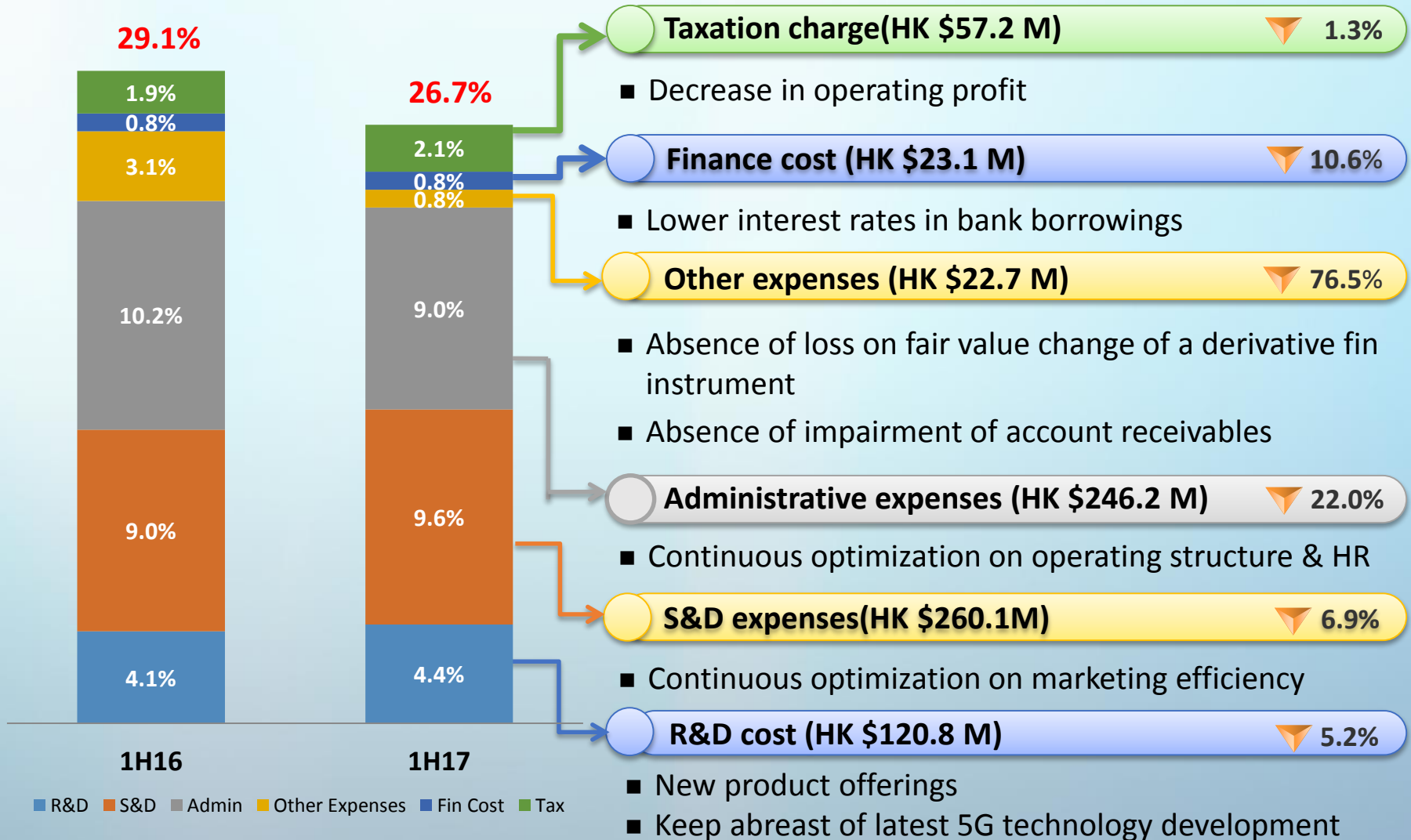
Expenses Structure



For the six months ended 30 June

As % of Total Revenue

▼/▲ = YOY change



Customer Review

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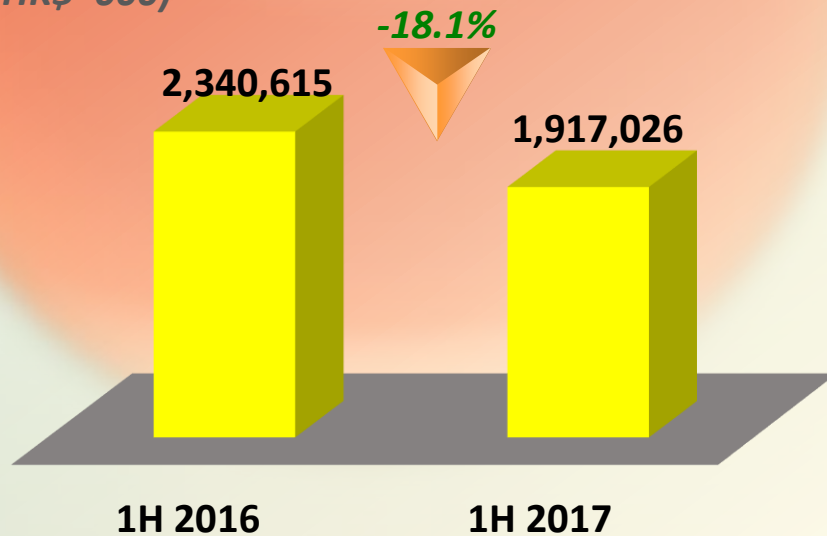
China Carriers

International Business &
Core Equipment Manufacturers

Enterprise Business

Revenue

(HK\$ '000)



China Carriers

- Revenues decreased 18.1% to HK\$ 1,917 million
- Sales cycle typically 2H intensive (per historical analysis)
 - Uptick expected in H/H% growth
- 4G network enhancement stage in full swing
- Working with operators on development of 4.5G/5G next generation equipment
- Customer focus: New high capacity small cell + MEC solutions
- Specialized IoT solution for next generation services

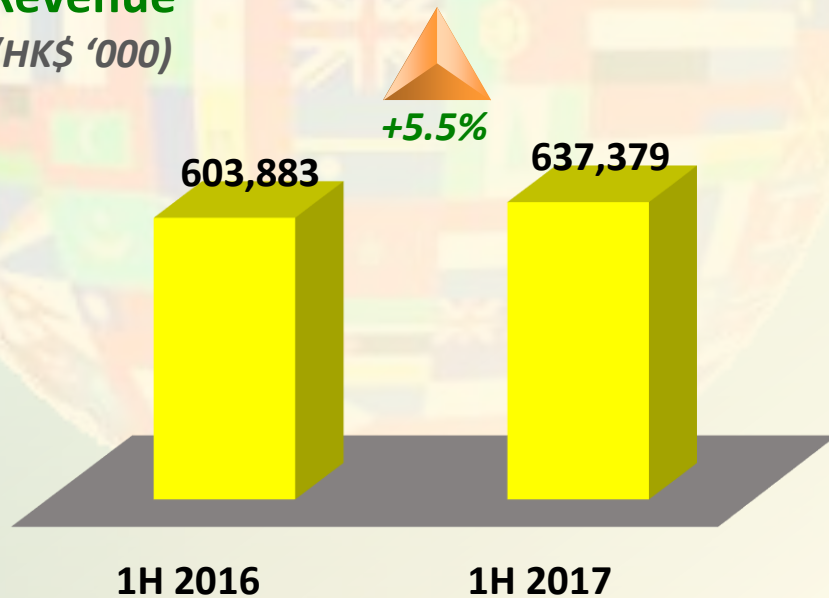
International Business & Core Equipment Manufacturers

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International Business & Core Equipment Manufacturers

Revenue
(HK\$ '000)

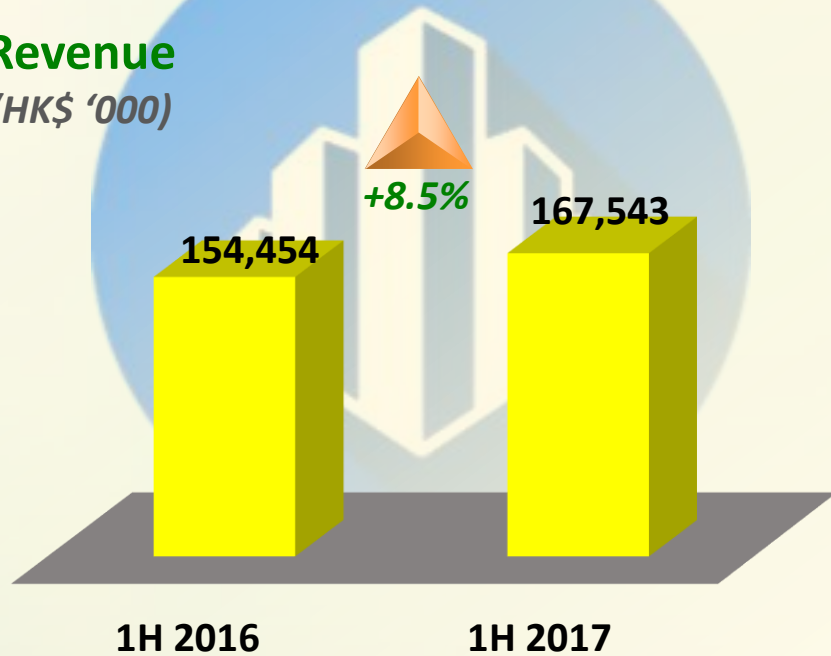


- Revenues increased 5.5% to HK\$ 637 million
- International and OEM growth against a slow global infrastructure market
- Major wins and agreements for international MNC operator
- Substantial OEM success in all international markets across all product segments
- Diversified strategy into different verticals and solutions

Enterprise Business

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Revenue
(HK\$ '000)



Enterprise Business

- Revenues increased 8.5% to HK\$ 168 million
- Strategy of diversifying customer base beyond carriers
- Deepening penetration into transportation, hospitality and public sectors



- Development of products and solutions targeted to enterprise sector.
 - Multi-system solutions for neutral hosts and towercos

Business Review

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Network System

Antennas & Subsystems

Services

New Growth Areas

Laos NMO: ETL Company Limited

Network System



DAS and Repeaters



Small Cells

Network Systems
(includes Wireless Enhancement & Small Cells/WLAN)

Revenue
(HK\$ '000)

+8.5%

593,524

643,789

1H 2016

1H 2017

- Revenues increased 8.5% to HK\$ 644 million
- Reflects hetnet offerings to customers
 - DAS tightly integrated with Small Cell
- Strong deployments of 4G indoor small cell systems in China and international
- Network densification & enhancement projects globally
- Specialized offerings for industry verticals



Antennas/Subsystems

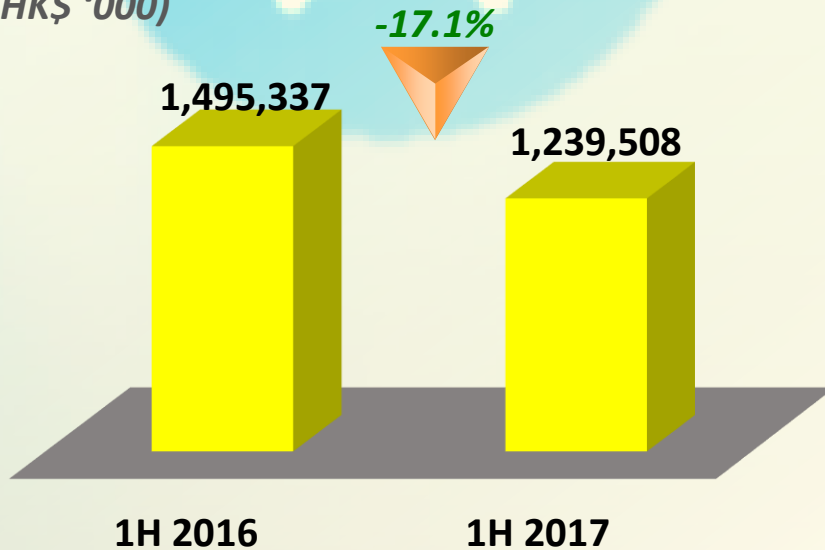


Combining Solutions



Antennas

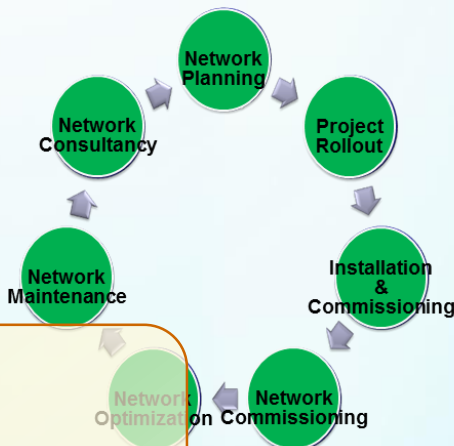
Revenue
(HK\$ '000)



Antennas & Subsystems

- Revenues decreased 17.1% to HK\$ 1,240 million
- Uptick expected in 2H with diversified customer mix for antennas
- Solid growth and outlook for global OEM agreements with core equipment vendors
- Long term basestation antenna agreement with 3 global operators
- Network densification trends driving new demand
- Technology development of massive MIMO antennas

Services



Revenue (HK\$ '000)

-16.8%

890,020

740,802

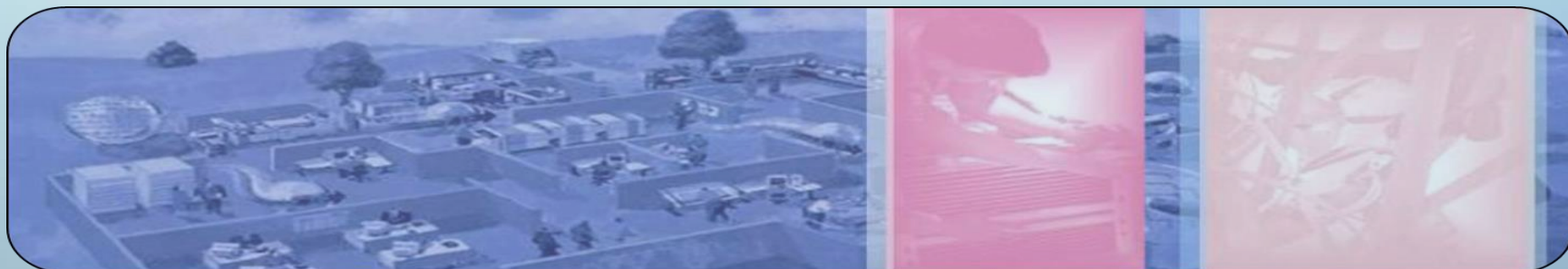
1H 2016

1H 2017

Services

(excludes Specialized Enterprise Network Services)

- Revenues decreased 16.8% to HK\$ 741 million
- 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



New Growth Areas



Satellite

Revenue
(HK\$ '000)

120,071

-18.5%

97,849

1H 2016

1H 2017



Digital Microwave



Growth Business

(includes Wireless Transmission & Specialized Enterprise Networks)

- Revenues decreased 18.5% to HK\$ 98 million
- Traditional digital microwave market in downward cycle but mitigated by new growth areas
- Smart solutions as growth drivers. Complements existing solutions for new diversified segments.
 - IoT, cloud computing, and big data.
 - Maritime internet-of-vessels and satellite VSAT solutions
 - Railway communications business in China and international
 - Intelligent manufacturing solutions for enterprises

Laos NMO: ETL Company Limited



About ETL Company Limited

- 51% majority control via subsidiary Jiafu
- Top 3 telecoms operator in Laos
- Triple play operator: fixed line / mobile / ISP
- Full license with 1,200 BTS, 1 million of subs (incl. 350,000 mobile subscribers)

Opportunities

- Business opportunity as telecoms operator
 - Enhance and improve existing network capabilities and services
 - Huge growth potential with few competitors (4 players)
- Strategically positioned for One Belt One Road
- Cross-selling of integrated network solutions
- First hand understanding of operator challenges and requirements



Summary

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1. Long term stability & growth in core business:

- Cyclical slowing of growth in traditional macrocell RAN spending, but key growth areas:
 - Network densification
 - Small cells, RRH, C-RAN, DAS, WLAN *(Source: SnS Telecom Research)*
- 4.5G and 5G

■ Diversification for new opportunities

- Development of smart city solutions and ecosystems
- Network virtualization
- Huge growth potential in enterprise segments



Thank You

