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**MOBI 摩比**  
**MOBI Development Co., Ltd.**  
**摩比發展有限公司**  
*(incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 947)

**Announcement of Interim Results  
for the six months ended 30 June 2010**

- Revenue decreased to approximately RMB403.3 million, representing a decrease of approximately 15.9%
- Gross profit margin decreased from approximately 28.0% in the first half of 2009 to approximately 26.7% in the first half of 2010.
- Profit attributable to owners of the Company was approximately RMB25.0 million, representing a decrease of approximately 58.3%
- Basic earnings per share for the six months ended 30 June 2010 was approximately RMB3.14 cents.

The board (the “Board”) of directors (the “Directors”) of MOBI Development Co., Ltd. (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue	3	403,315	479,377
Cost of sales		(295,613)	(345,296)
Gross profit		107,702	134,081
Other income	3	4,923	2,872
Research and development costs		(20,140)	(17,038)
Distribution and selling expenses		(23,050)	(24,625)
Administrative expenses		(37,378)	(22,863)
Finance costs	4	(3,035)	(1,690)
Profit before taxation		29,022	70,737
Income tax expense	5	(4,016)	(10,745)
<b>Profit and the total comprehensive income for the period attributable to owners of the Company</b>	6	<b>25,006</b>	<b>59,992</b>
Earnings per share			
– basic (RMB cents)	8	3.14	13.54
– diluted (RMB cents)	8	3.05	10.15

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		142,888	118,175
Prepaid lease payments		20,918	21,154
Deferred tax assets		6,518	7,330
		<u>170,324</u>	<u>146,659</u>
Current assets			
Inventories		336,289	315,457
Trade receivables	9	388,220	330,013
Notes receivable		113,260	201,523
Prepayments, deposits and other receivables		23,340	28,383
Tax recoverable		2,043	—
Pledged bank balances		24,844	26,545
Bank balances and cash		433,863	553,263
		<u>1,321,859</u>	<u>1,455,184</u>
Current liabilities			
Trade payables	10	306,056	310,025
Notes payable		71,443	170,278
Other payables and accruals		50,747	58,267
Tax payable		4,377	12,922
Short-term bank borrowings		77,016	127,135
Deferred income		746	765
		<u>510,385</u>	<u>679,392</u>
Net current assets		<u>811,474</u>	<u>775,792</u>
Total assets less current liabilities		<u>981,798</u>	<u>922,451</u>
Non-current liabilities			
Deferred income		3,147	3,499
Net assets		<u>978,651</u>	<u>918,952</u>
Capital and reserves			
Issued capital		6	5
Reserves		978,645	918,947
Equity attributable to owners of the Company		<u>978,651</u>	<u>918,952</u>

Notes:

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 except for the adoption of new and amended standards and interpretations of Hong Kong Financial Reporting Standards which are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated interim financial information of the Group for both the current and prior reporting periods.

The Group has not early adopted the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>3</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for first-time Adopters <sup>2</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flow and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements.

## 2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments to report segment information for the six months period ended 30 June 2009 and 2010. Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”), being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment. Information reported to the CODM is focused on three principal categories of products - antenna system, base station RF system and coverage extension solution.

No measure of segment assets and liabilities are reported to the CODM for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

The Group’s reportable segments under HKFRS 8 are as follows:

Antenna system - manufacture and sale of antenna system and related products

Base station RF subsystem - manufacture and sale of base station RF subsystem and related products

Coverage extension solution - manufacture and sale of a wide array of coverage products

### Information of segment revenues and segment results

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB’000</b>	<b>RMB’000</b>
<b>Segment revenues</b>		
Antenna system	<b>132,409</b>	212,475
Base station RF subsystem	<b>196,263</b>	209,209
Coverage extension solution	<b>74,643</b>	57,693
	<b>403,315</b>	479,377
<b>Segment results</b>		
Antenna system	<b>35,014</b>	53,527
Base station RF subsystem	<b>41,092</b>	46,903
Coverage extension solution	<b>11,456</b>	16,613
	<b>87,562</b>	117,043
Reconciliation of segment results to profit before taxation:		
Other income	<b>4,923</b>	2,872
Other expenses	<b>(60,428)</b>	(47,488)
Finance costs	<b>(3,035)</b>	(1,690)
Profit before taxation	<b>29,022</b>	70,737

	For the six months ended 30 June	
	2010	2009
	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Other segment information:</b>		
Depreciation		
Antenna system	1,770	1,982
Base station RF subsystem	2,771	1,888
Coverage extension solution	956	598
	<hr/>	<hr/>
Segment total	5,497	4,468
Unallocated amount	2,705	2,565
	<hr/>	<hr/>
Group total	8,202	7,033
	<hr/>	<hr/>
Research and development costs:		
Antenna system	7,453	7,557
Base station RF subsystem	9,814	7,415
Coverage extension solution	2,873	2,066
	<hr/>	<hr/>
Group total	20,140	17,038
	<hr/>	<hr/>

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2009 and 2010.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the annual report of the Company for the year ended 31 December 2009. The Group does not allocate other income, distribution and selling expenses, administrative expenses, finance costs and income tax expense to individual reportable segments when making decisions about resources to be allocated to the segments and assessing their performance.

## Entity-wide disclosures:

### Information about products

Revenues from each group of similar products within the reportable segments are as follows:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Antenna system</i>		
CDMA/GSM fixed-downtilt antennas <sup>(1)</sup>	29,277	71,663
CDMA/GSM remote electric-downtilt antennas <sup>(1)</sup>	13,873	26,452
PHS antennas	—	90
Yagi antennas	—	122
W-CDMA antennas <sup>(3)</sup>	44,788	38,985
TD-SCDMA antennas <sup>(3)</sup>	2,657	21,998
Multi-band/Multi-system antenna <sup>(1)</sup>	10,043	—
Microwave antennas	13,033	24,967
Other antennas	18,738	28,198
	<b>132,409</b>	<b>212,475</b>
<i>Base station RF subsystem</i>		
CDMA 2000 RF devices <sup>(3)</sup>	19,713	59,420
CDMA RF devices <sup>(2)</sup>	3,388	15,426
GSM RF devices <sup>(2)</sup>	159,466	88,241
CDMA/GSM RF devices <sup>(2)</sup>	—	22,290
TD-SCDMA RF devices <sup>(3)</sup>	306	395
W-CDMA RF devices <sup>(3)</sup>	8,676	22,256
Other devices	4,714	1,181
	<b>196,263</b>	<b>209,209</b>
<i>Coverage extension solution</i>		
In-door antennas	1,212	663
Aesthetic antennas <sup>(1)</sup>	20,736	17,181
Other products	19,480	8,605
Electric cables	33,215	31,244
	<b>74,643</b>	<b>57,693</b>
	<b>403,315</b>	<b>479,377</b>

<sup>1</sup> Dual/multiple usage

<sup>2</sup> 2G related products

<sup>3</sup> 3G related products

No operating results nor discrete financial information in respect of each group of similar products is presented to CODM.

### Information about major customers

Revenues from customers of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Customer A <sup>1</sup>	105,211	57,553
Customer B <sup>2</sup>	99,428	110,273
Customer C <sup>3</sup>	93,504	185,930

<sup>1</sup> revenue mainly from base station RF Subsystem

<sup>2</sup> revenue mainly from antenna system and coverage extension solution

<sup>3</sup> revenue mainly from antenna system and base station RF Subsystem

### Geographical information

The reportable segments of the Group are mainly operated in the PRC and overseas (mainly Finland and India). An analysis of the Group's geographical information on revenues attributed to the region on the basis of the customer's location is set out in the following table:

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
PRC	355,585	437,902
Overseas		
India	4,828	3,555
Finland	28,316	34,591
Others	14,586	3,329
Subtotal	47,730	41,475
	403,315	479,377

All non-current assets (other than deferred tax assets) of the Group are located in the PRC.



### 3. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF Subsystems and products of coverage extension solution	<u>403,315</u>	<u>479,377</u>
Other income		
Government grants	2,840	1,587
Compensation income	505	943
Interest income	1,502	198
Others	76	144
	<u>4,923</u>	<u>2,872</u>

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings		
- wholly repayable within five years	<u>3,035</u>	<u>1,690</u>

### 5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	3,204	10,670
Deferred tax	812	75
	<u>4,016</u>	<u>10,745</u>

The Company was incorporated in the Cayman Islands and is exempted from income tax. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

MOBI Antenna Technologies (Shenzhen) Co., Ltd. ("MOBI Shenzhen") was established in Shenzhen, PRC, with applicable tax rate of 15%.

In 2008, MOBI Shenzhen is a High and New Technology Enterprise defined by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation and therefore is entitled to 15% preferential tax rate from PRC enterprise income tax for three years starting from 2008, according to the New PRC Enterprise Income Tax Law. Accordingly, the tax rate for MOBI Shenzhen is 15% for the six months ended 30 June 2009 and 2010. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

According to the New PRC Enterprise Income Tax Law, the applicable tax rate of MOBI Telecommunications Technologies (Ji An) Co., Ltd. ("MOBI Jian") is 25% from 2008. In accordance with the tax legislations applicable to MOBI Jian, it is entitled to exemption from PRC enterprise income tax for the two years commencing from its first profit making year of operations in 2006, after offsetting all unexpired tax losses carried forward from previous years, and thereafter, entitled to a 50% relief from PRC enterprise income tax of 25% for the next three years. Accordingly, the tax rate for MOBI Jian is 12.5% for the six months ended 30 June 2009 and 2010.

The applicable tax rate of MOBI Technologies (Xi An) Co., Ltd. is 25% for the six months ended 30 June 2009 and 2010.

## 6. PROFIT AND THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit and the total comprehensive income for the period has been arrived at after charging the following items:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation	<b>8,202</b>	7,033
Amortization of prepaid lease payments	<b>236</b>	215
Cost of inventories recognised as expenses	<b>295,613</b>	345,296
Net exchange loss	<b>6,540</b>	400
	<b>300,591</b>	352,944

## 7. DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Dividends recognised as distribution during the period:		
2007 second dividend of RMB0.1424 per ordinary share	—	10,641
2007 second dividend of RMB0.1424 per Series A preferred share	—	4,359
2009 final dividend of HK\$0.03 per ordinary share	<b>19,052</b>	—
	<b>19,052</b>	15,000

At the board meeting held on 23 August 2010, the directors of the Company do not recommend any payments of interim dividend for the six months ended 30 June 2010.

## 8. EARNINGS PER SHARE

The earning figures for calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company are based on the following data:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b><i>Earnings</i></b>		
Profit for the period and attributable to owners of the Company	<b>25,006</b>	59,992
Less:		
2007 second dividend of RMB0.1424 per Series A preferred share	<b>—</b>	(4,359)
Earnings for purpose of basic earnings per share	<b>25,006</b>	55,633
Effect of dilutive potential ordinary shares:		
2007 second dividend of RMB0.1424 per Series A preferred share	<b>—</b>	4,359
Earnings for purpose of diluted earnings per share	<b>25,006</b>	59,992
	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>Shares'000</b>	<b>Shares'000</b>
<b><i>Number of shares</i></b>		
Weighted average number of ordinary shares		
for the purposes of basic earnings per share	<b>795,279</b>	410,898
Effect of dilutive potential ordinary shares		
- Conversion of Series A preferred shares	<b>—</b>	168,300
- 2003 share options	<b>12,306</b>	9,439
- 2005 share options	<b>11,734</b>	2,676
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	<b>819,319</b>	591,313

The computation of diluted earnings per share, which is based on the fair value of the ordinary shares estimated by the Company's director except for Series A preferred shares.

The weighted average number of ordinary shares for the purpose of earnings per share has been prepared based on the assumption that the capitalisation issue pursuant to shareholders resolutions passed on 25 November 2009 and 1 June 2010 had been effective on 1 January 2009.

## 9. TRADE RECEIVABLES

The Group offers credit terms generally accepted in the antenna system, base station RF subsystem and coverage extension solution manufacturing industry to its trade customers, which is around 30 to 120 days for a significant number of the Company's products, although a longer credit term may be extended to certain customers, depending on price, the size of the contract, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables effectively, credit limits of customers are evaluated periodically. Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality. Trade receivables that are neither past due nor impaired have the high ranking record attributable to their corresponding research on the creditworthiness.

The following is an aged analysis based on invoice date of trade receivables net of impairment losses at the end of reporting period:

	<b>30 June 2010 (Unaudited) RMB'000</b>	<b>31 December 2009 (Audited) RMB'000</b>
0 to 30 days	<b>86,854</b>	113,242
31 to 60 days	<b>70,518</b>	65,595
61 to 90 days	<b>29,823</b>	20,453
91 to 120 days	<b>21,191</b>	11,613
121 to 180 days	<b>45,344</b>	21,181
Over 180 days	<b>134,490</b>	97,929
	<b>388,220</b>	330,013

## 10. TRADE PAYABLES

The following is an aged analysis based on invoice date of trade payables at the end of reporting period:

	<b>30 June 2010 (Unaudited) RMB'000</b>	<b>31 December 2009 (Audited) RMB'000</b>
0 to 30 days	<b>66,708</b>	70,555
31 to 60 days	<b>41,172</b>	55,324
61 to 90 days	<b>27,667</b>	45,895
91 to 180 days	<b>93,329</b>	102,147
Over 180 days	<b>77,180</b>	36,104
	<b>306,056</b>	310,025

Typical credit term of trade payables is 90 days.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

#### Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2010 amounted to approximately RMB 403.3 million, representing a decrease of 15.9% as compared with RMB 479.4 million in the corresponding period of 2009. Sales of antenna system and base station radio frequency ("RF") subsystem decreased by approximately 37.7% and 6.2% to approximately RMB 132.4 million and RMB196.3 million, respectively. Whereas, sales of products of coverage extension solution increased by approximately 29.4% to approximately RMB74.6 million. Revenue from products of dual/multiple and 3G usage decreased by approximately 41.9% to approximately RMB150.1 million when compared with the corresponding period of 2009.

#### *Antenna system*

Since January 2009, after the 3G operator licenses were granted to the PRC domestic network operators, there was a significant increase in the sales of our 3G related products to 3G network operators and network solution providers in the PRC to facilitate their deployment of 3G networks, this resulted in a surge of revenue in the first six months period in 2009.

During the six months ended 30 June 2010, PRC domestic network operators deferred their central procurement to the second half of 2010. As a result, the work of enhancement and broadening of their current networks was carried out in a slower pace than the same period last year. Furthermore, revenue from network solution providers also reduced. Accordingly, the revenue from our antenna system of dual/multiple usage and 3G usage reduced by approximately 46% and 22%, respectively as compared with the corresponding period of 2009.

#### *Base station RF subsystem*

The deferral of procurement by PRC domestic network operators also includes the main frame proprietary base station from our network solution provider customers, such as ZTE Corporation. Our sales of base station RF subsystem products, which are incorporated in the proprietary base station, to such customers were deferred accordingly. However, the negative impact from the deferral of procurement by PRC domestic network operators was partly offset by our diversified customer base.

The revenue from our base station RF subsystem for 3G usage for the six months ended 30 June 2010 reduced by approximately 65% to approximately RMB28.7 million, whereas revenue from that for 2G usage increased by approximately 29% to approximately RMB162.9 million, as compared with the corresponding period in 2009.

Despite the decrease in the revenue from ZTE Corporation, such shortfall was covered partly by the increased revenue from Nokia Siemens Networks. Revenue from Alcatel-Lucent also increased significantly as it placed new orders to us continuously since the commencement of mass production in the second half of 2009.

### *Coverage extension solution*

We dedicate to achieve a balanced portfolio of products. During the first half of 2010, our segment of coverage extension solution achieved a 29% revenue growth as compared to the first half of 2009. Sales of our aesthetic antennas increased by approximately 21% to approximately RMB20.7 million. Revenue from the sales of cables and relevant accessories also recorded a satisfactory growth.

### *Customers*

The deferral of procurement by PRC domestic network operators resulted in a significant reduction of revenue therefrom. Sales to the PRC network operators, China Mobile Communication Corporation, China Unicom Telecommunications Corporation and China Telecommunications Corporation in the first half of 2010 decreased by approximately 28.4% , 9.8% and 57.0% to approximately RMB30.8 million, RMB99.4 million and RMB18.1 million, respectively as compared to the first half of 2009.

Deferral of procurement by PRC domestic network operators as well as the uncertainty in Indian market led to the significant decrease in revenue from ZTE Corporation. Sales to ZTE Corporation reduced by approximately 49.7% to approximately RMB93.5 million. However, our commitment to providing quality and sophisticated products and building long term relationships with our customers contributed to the fruitful growth of our revenue from a wide range of international customers. Sales to Nokia Siemens Networks and Alcatel-Lucent increased by approximately 82.8% and over eleven folds as compared with the first half of 2009 to approximately RMB105.2 million and RMB37.7 million, respectively in the first half of 2010.

### **Gross Profit**

As a result of the decrease in our revenue, our gross profit reduced by approximately RMB26.4 million or 19.7% from approximately RMB134.1 million in the first half of 2009 to approximately RMB107.7 million in the first half of 2010.

During the six months ended 30 June 2010, our overall gross profit margin reduced to 26.7% as compared to 28.0% of the corresponding period last year. The reduction in our gross profit margin was due primarily to a decrease in sales of 3G related products that commanded higher gross profit margins and the intensified competition among the vendors in the PRC.

The improvement of gross profit margin of dual/multiple usage antennas and other antennas compensated the reduction of gross profit margin of our 3G related antennas. As a result, the gross profit margin of our antenna products generally improved from approximately 28.7% to approximately 32.1% during the periods under review.

Almost all classes of our base station RF subsystem products recorded an improvement of gross profit margin, however, higher proportion of revenue was arising from GSM RF devices which generated lower gross profit margin. This led to the slight reduction of overall gross profit margin from approximately 26.0% to approximately 25.9% during the periods under review.

Despite the increase in gross profit margin of aesthetic antenna, fluctuation in raw material costs led to the decrease in gross profit margin of our cables and other products. Accordingly, the overall gross profit margin of our coverage extension solution products reduced from 32.5% to 19.5%

### **Other Income**

Other income increased to approximately RMB4.9 million. It was attributable to the increased bank interest income arising from the net proceeds from the listing of the Company's shares on the Stock Exchange ("IPO") completed in December 2009 as well as increased government subsidy received by the Group.

### **Distribution and Selling Expenses**

Distribution and selling expenses decreased from approximately RMB24.6 million in the first half of 2009 to approximately RMB23.1 million in the first half of 2010, due to the decrease in the sales of antenna products, transportation and logistic cost reduced. The expenses saved was offset by the increased customer development expenses.

### **Administrative Expenses**

Administrative expenses increased by approximately RMB14.5 million from RMB22.9 million in the first half of 2009 to approximately RMB37.4 million in the same period of 2010. The reason for such increase including increased average headcount, wage rate and social welfare obligations as the scale of our operation grew, more office and factories maintenance, increased professional and advisory fee after listing and exchange loss arising from appreciation of RMB against HKD, USD and EURO. We believe such losses were attributable to the announcement made by PRC government during in 2010 that it will allow a larger daily fluctuation of exchange rate of RMB against USD as well as the sovereignty debt crisis related to Greece and Spain during the second quarter of 2010.

### **Research and Development Costs**

Research and development costs increased steadily by approximately RMB3.1 million from approximately RMB17.0 million in the first half of 2009 to approximately RMB20.1 million in the first half of 2010. The increase was mainly attributable to increases in material costs and testing fees for product development.

### **Finance Costs**

Finance costs increased by approximately RMB1.3 million from approximately RMB1.7 million in the first half of 2009 to approximately RMB3.0 million in the first half of 2010. Our bank borrowing increased significantly in the second half of 2009 due to business expansion after issuance of 3G licences. This resulted in the need of more working capital afterwards and led to increased average outstanding balances of bank borrowing and notes payable comparing with the reporting period last year. Certain bank borrowings were repaid in June 2010.

### **Profit Before Taxation**

Profit before taxation decreased by approximately RMB41.7 million, or approximately 59.0%, from approximately RMB70.7 million to approximately RMB29.0 million. Net profit margin before tax reduced from approximately 14.8% in 2009 to approximately 7.2% in 2010.

### **Income Tax Expense**

Our income tax expenses decreased by approximately RMB6.7 million from approximately RMB10.7 million in 2009 to approximately RMB4.0 million in 2010. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 13.8% and 15.2% for 2010 and 2009, respectively.

### **Profit for the reporting period**

Profit for the first half of 2010 decreased by 58.3%, from approximately RMB60.0 million for the corresponding period in 2009 to approximately RMB25.0 million. Our net profit margin was approximately 6.2%, compared to 12.5% for the corresponding period in 2009. The decrease in our net profit margin was the result of reduced revenue, slimming of gross profit margin and higher research and development cost and administrative expenses which would not reduce in line with short term fluctuation of revenue.

## **FUTURE PROSPECTS**

In the future, the Group will further develop both the domestic and international markets and focus on the market of RF technology of wireless communication, especially the base station RF technology and RF technology of other wireless communications.

### **Customers**

The Group will maintain its focus on global market and provide RF technology solutions mainly to leading network solution providers and network operators.

The Group is one of the few one-stop providers in China who can provide RF solutions to international system providers and network operators. Due to keen competition and global financial crisis, customers are more concerned of costs, technologies and qualities. Furthermore, international well-known customers impose longer time and very strict qualification requirements on their suppliers. Leveraging on its advantages of cost and technology, the Group has established strong relationships with a number of international well-known customers and we believe this can greatly strengthen our competitiveness in the global market. The Group will further enhance the development strategy of overseas markets and international business.



The sales of the Group to international network solution providers recorded a significant growth in the first half of 2010. The Group believes that our business with international network solution providers in view of the scale of their business, will provide further revenue growth than that of the network solution providers in China. In July 2010, Nokia Siemens Networks, one of our customers, announced to acquire a majority of the assets of wireless network infrastructure from Motorola. As Motorola is currently not our customer, the Group believes that the acquisition will further increase its share in global RF technology market.

India announced the completion of the auction of 3G spectrum in May 2010. The Group is confident that telecommunication system providers in China can pass the safety examination of Indian government. The Group sold its products to Indian customers through various channels, including direct sales or as a part of base station device of wireless communication system of various system providers. Leveraging on its advantages of product technology and customer base, the Group believes that it can secure more business from India for its 3G network development.

The Group believes that most of the PRC network operators will conduct their procurement exercises in the second half of 2010. The demand of our products from PRC network operators and network solution providers in the second half of 2010 will be significantly higher than the first half of the year. The Group is confident of its annual results of operation.

## **Products**

For antenna systems, the sales growth of antenna systems of the Group in the first half of 2010 is restricted by the delay of capital expenses from PRC network operators. The Group believes that most of the PRC network operators will conduct the procurement exercises in the second half of 2010 and the demand of our antenna systems will increase accordingly. The Group has maintained its leading position among its local peers in terms of technology and market share of TD-SCDMA antenna. The tender for the construction of the fourth phase of TD-SCDMA network of China Mobile will be conducted in 2010. It is expected that the number of base stations to be constructed will be equal to the total number of existing base stations. The Group believes this will boost up the demand of our TD-SCDMA antenna.

According to the Department of Telecommunication under the Ministry of Communications & IT of India, passive antenna is exempt from safety examination. The Group has sold antenna directly to operators in India in the first half of the year of 2010. However, due to safety examination for imported telecommunication equipment, the import of wireless base station equipment into India and the sales of the antenna of the Group have been restricted, accordingly. The Group believes the issue of safety examination by India on imported telecommunication equipment will be resolved and we are confident with the growth of demand of antenna in Indian market.

The Group will further strengthen the strategic cooperation with international network solution provider in our antenna products. To date, a number of models of the Group's antenna have passed the testing of international network solution providers and more antenna products are being developed and will be launched for testing in 2010.

The Group believes that cooperation with overseas network operators and network solution providers will further increase the sales of antenna products of the Group.

The technology of antenna products is evolving rapidly. Integration and multi-system station is the trend of development. In the first half year of 2010, the Group recorded a strong year-on-year growth in its existing multi-frequencies and multi-systems antenna products. On the other hand, the Group has been cooperating with customers to develop LTE and Wimax antenna. It is believed that the new products will bring more business to the Group.

In respect of base station RF subsystem products, the Group will continue to enhance cooperation with international network solution providers, expand product portfolios and provide RF subsystem solutions to international customers, including tower amplifiers. Base station RF subsystem products are mainly customized products using the same technology of the relevant base station equipment. Therefore, international network solution providers have very strict technology requirements for their vendors. The Group believes that with the long term and intensive cooperation with international network solution providers, the Group is well positioned to keep abreast of the advanced technologies of base station RF, we have better communication and understanding of their demands, deepened the trust among us, and as a result, the competitive edges of the Group has also been strengthened. The Group's RF subsystem products for international network solution providers increased significantly in the first half of 2010. The Group is confident with its future growth.

In respect of coverage extension product, the optimisation and improvement of 3G network construction will stimulate the demand of base station antennas and base station RF subsystem and boost the demand for Aesthetic Antennas, RF Feeder, In-Building Antennas and relevant technology services.

## **Conclusion**

The Group is one of the few one-stop solution providers of RF technology for global network operators and network solution providers. The Group has a wide range of well known customers and diversified income sources, which contributes to the positive and stable growth of the Group.

The Company will continue to optimise the customer base and structure, adapt strategies of product differentiation based on the technology and costs, maximise the market opportunities in 3G, LTE and the new generation wireless technology. The Group will also strive to enhance its integrated competitiveness to ensure the stable growth of the operating results of the Group and to maximise the returns to its shareholders and the society.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, we have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers, short-term bank borrowings and net IPO proceeds. Our primary uses of cash have been applied to meet our increased working capital requirements and capital expenditures on purchases of production equipment in Shenzhen, Jian and Xian, China.

As at 30 June 2010, the Group had net current assets of approximately RMB811.5 million (31 December 2009: RMB775.8 million) including inventories of RMB336.3 million (31 December 2009: RMB315.5 million), trade and note receivables of approximately RMB501.5 million (31 December 2009: RMB531.5 million) and trade and note payable of approximately RMB377.5 million (31 December 2009: 480.3 million).

For the six months ended 30 June 2010, average turnover days of our inventories, trade and notes receivable and trade and notes payable are approximately 200 days (six months ended 30 June 2009: 141 days), 232 days (six months ended 30 June 2009: 170 days) and 263 days (six months ended 30 June 2009: 211 days), respectively. Turnover days are derived by dividing the arithmetic mean of the beginning and ending balances of relevant assets/liabilities classes for the relevant period by sales/cost of sales and multiplying by the number of days in the period. Accordingly, decreased sales/cost of sales was the primary reason attributable to the increase of the turnover days. Besides, we maintained an adequate level of inventories for possible quick orders to be made by customers. This lengthened the average inventory turnover days. While, the increased weighting of trade receivables attributable to PRC network operators led to the lengthening of average receivable turnover days. In general, the average credit period for PRC network operators is longer than global network operators and solution providers. We offer credit terms generally accepted in the antennas and base station RF subsystems manufacturing industry to our trade customers.

As at 30 June 2010, the Group had a pledged bank balances of approximately RMB24.8 million (31 December 2009: RMB26.5 million), cash and bank balances of approximately RMB433.9 million (31 December 2009: RMB553.3 million) and short-term bank borrowing of approximately RMB77.0 million (31 December 2009: RMB127.1 million). The current ratio (current assets divided by current liabilities) increased to approximately 2.6 times as at 30 June 2010 from approximately 2.1 times as at 31 December 2009. The gearing ratio (bank borrowings divided by total assets) was approximately 5.2% as compared with a gearing ratio of approximately 7.9% as at 31 December 2009. The interest rates on the Group's bank borrowings are designated in both fixed rate and floating basis at prevailing market rates.

The Board is of the opinion that the Group has a solid and stable financial position and adequate resources to support the necessary operating funding requirement and foreseeable capital expenditure.

## **FOREIGN EXCHANGE EXPOSURE**

Renminbi ("RMB") is the functional currency of the Group. Currencies other than RMB expose the Group to foreign currency risk. We have foreign currency sales and purchases and certain trade receivables and bank balances of ours are denominated in United States dollar ("US\$"), Euro ("EUR") and Hong Kong dollars ("HK\$"). We currently do not have a foreign currency hedging policy. However, the management monitors and will consider hedging of foreign currency exposure when the need arises.

After the listing of the Company's shares on the Stock Exchange, our bank balances are substantially denominated in HK\$. The Board considers that the appreciation of RMB should have an unfavourable impact on the Group's financial results. The management is adopting various mechanisms to limit foreign exchange exposure. We have started the conversion of IPO net proceeds into RMB after we got relevant approval from State Administration of Foreign Exchange in June 2010.

## **APPLICATION OF NET GLOBAL OFFERING PROCEEDS**

In December 2009 and January 2010, the Group issued a total of 193,958,000 shares (including 18,443,000 shares issued upon the exercise of over-allocation option). The offer price was HK\$3.38 per share and the net proceeds from the IPO were approximately equivalent to RMB544 million after deduction of related expenses.

As at 30 June 2010, the Company has already applied approximately RMB113 million in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 December 2009 (the “Prospectus”):

- Approximately RMB12 million, RMB26 million, RMB1 million were applied in our office and plants in Shenzhen, Jian and Xian, respectively, for the purchase of equipment, construction and development of production lines and factories buildings;
- Approximately RMB17 million was applied to finance our research and development efforts including engineers, testing fee and research materials for our Shenzhen R&D centre. Whereas, approximately RMB1 million was applied in our plant at Jian for product developments and RMB2 million was applied in the operation and expanding of our R&D centre in Xian.
- Approximately RMB54 million was applied as general working capital of the Group;

The balance of the net proceeds will be also applied in line with the description in the Prospectus.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2010, the Group had approximately 2,500 staff. The total staff costs amounted to approximately RMB57 million for the six months ended 30 June 2010. The remuneration of the Group’s employees is determined on the basis of their responsibilities and industry practices. Regular training is provided to improve the skills and expertise of relevant staff. The Group also grants share options and discretionary bonuses to eligible staff based on their performance.

## **CHARGE ON ASSETS**

As at 30 June 2010, bank balances of approximately RMB24.8 million were pledged to bank to secure the banking facilities provided to the Group.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

As at 30 June 2010, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB7,690,000. The Group did not have any significant contingent liabilities.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2010.

## **DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010.

## **CORPORATE GOVERNANCE**

The Board has been adamant in upholding high standards of corporate governance to maximize the operational efficiency, corporate values and shareholder returns of the Company. The Company adopted sound governance and disclosure practices and continued to upgrade internal control system, strengthen risk control management and reinforce the corporate governance structure.

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") and the rules on the Corporate Governance Report as set out respectively in Appendices 14 and 23 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the six months ended 30 June 2010 except for the deviation of CG Code A.2.1.

The CG Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Hu Xiang is both the Chairman and chief executive officer of the Company. Mr. Hu is one of the founders of the Group and has extensive experience in the telecommunication industry. Given the current stage of development of our Group, the Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

## **AUDIT COMMITTEE**

The Company has set up an audit committee with written terms of reference. The audit committee comprises three independent non-executive Directors. The principal duties of the audit committee include the review and supervision of the Group's financial reporting systems and internal control procedures, review the Group's financial position and review of the relationship with the external auditor of the Company.

The Group's condensed consolidated financial statements for the six months ended 30 June 2010 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS AND 2010 INTERIM REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.mobi-antenna.com](http://www.mobi-antenna.com). The 2010 Interim Report of the Company will be available on both websites and dispatched to shareholders in due course.

By order of the Board  
**MOBI Development Co., Ltd.**  
**Hu Xiang**  
*Chairman*

Hong Kong, 23 August 2010

*As at the date of this announcement, the executive directors of the Company are Mr. Hu Xiang and Mr. Wang Guoying; the non-executive directors are Mr. Qu Deqian, Mr. Xing Qibin, Mr. Yan Andrew Y. and Mr. Yang Dong; and the independent non-executive directors are Mr. Li Tianshu, Mr. Zhang Han and Mr. Bao Fan.*