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 Final Results for the year ended 31 December 2010

- Revenue increased to approximately RMB1,041.2 million, representing an increase of approximately 6.2%
- Gross profit margin decreased from approximately 28.6% in 2009 to approximately 24.5% in 2010
- Profit attributable to owners of the Company was approximately RMB84.1 million, representing a decrease of approximately 21.7%
- Basic earnings per share for the year was approximately RMB10.56 cents
- Final dividend of HK$0.02 per share proposed

The board (the "Board") of directors (the "Director") of MOBI Development Co., Ltd. (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** RMB'000	2009 RMB'000
Revenue	3	**1,041,420**	980,222
Cost of sales		**(786,435)**	(699,718)
Gross profit		**254,985**	280,504
Other income	4	**12,973**	4,496
Research and development costs		**(37,095)**	(36,547)
Distribution and selling expenses		**(47,525)**	(51,767)
Administrative expenses		**(80,912)**	(65,891)
Finance costs	5	**(3,471)**	(4,357)
Profit before taxation		**98,955**	126,438
Income tax expense	6	**(14,850)**	(18,968)
Profit and the total comprehensive income for the year attributable to owners of the Company	7	**84,105**	107,470
Earnings per share			
– basic (RMB cents)	9	**10.56**	24.21
– diluted (RMB cents)	9	**10.33**	17.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Property, plant and equipment		**172,048**	118,175
Prepaid lease payments		**20,683**	21,154
Deferred tax assets		**5,657**	7,330
Intangible assets		**5,431**	—
		203,819	146,659
Current assets			
Inventories		**307,855**	315,457
Trade and other receivables	10	**734,337**	559,466
Prepaid lease payments		**462**	453
Pledged bank balances		**13,011**	26,545
Bank balances and cash		**437,836**	553,263
		1,493,501	1,455,184
Current liabilities			
Trade and other payables	11	**643,382**	537,812
Dividend payable		**735**	758
Tax payable		**10,497**	12,922
Short-term bank borrowings		**—**	127,135
Deferred income		**1,243**	765
		655,857	679,392
Net current assets		**837,644**	775,792
Total assets less current liabilities		**1,041,463**	922,451
Non-current liabilities			
Deferred income		**3,569**	3,499
Net assets		**1,037,894**	918,952
Capital and reserves			
Issued capital		**6**	5
Reserves		**1,037,888**	918,947
Equity attributable to owners of the Company		**1,037,894**	918,952

Note:

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 17 December 2009. The address of its registered office is Maples Corporate Services Limited P.O. Box 309, Ugland House, Grand Cayman KY-1104, Cayman Islands and its principal place of business is 7 Langshan First Road Science and Technology Park, Nanshan District, Shenzhen, Guangdong Province, PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Group.

The Company and its subsidiaries' (the "Group") principal business is production and sale of antennas and radio frequency ("RF") subsystems.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

The directors of the Company anticipate that the application of the new and revised Standards and Interpretations issued but not yet effective will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

	2010 RMB'000	2009 RMB'000
Segment revenues		
Antenna system	**348,376**	423,051
Base station RF subsystem	**563,512**	447,656
Coverage extension solution	**129,532**	109,515
	1,041,420	980,222
Segment results		
Antenna system	**94,159**	108,931
Base station RF subsystem	**114,614**	107,499
Coverage extension solution	**9,117**	27,527
	217,890	243,957
Reconciliation of segment results to profit before taxation:		
Other income	**12,973**	4,496
Other expenses	**(128,437)**	(117,658)
Finance costs	**(3,471)**	(4,357)
Profit before taxation	**98,955**	126,438
Other segment information:		
Depreciation		
Antenna system	**3,937**	4,499
Base station RF subsystem	**6,369**	4,689
Coverage extension solution	**1,464**	1,085
Segment total	**11,770**	10,273
Unallocated amount	**6,140**	4,841
Group total	**17,910**	15,114
Amortisation		
Antenna system	**226**	—
Base station RF subsystem	**279**	—
Group total	**505**	—
Research and development costs:		
Antenna system	**12,112**	14,939
Base station RF subsystem	**16,260**	16,558
Coverage extension solution	**8,723**	5,050
Group total	**37,095**	36,547

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the two years ended 31 December 2010.

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

No segment information on assets and liabilities is presented as such information is not reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Entity-wide disclosures:

Information about products

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

	2010	2009
	RMB'000	RMB'000
Antenna system		
CDMA/GSM fixed- downtilt antennas	**77,777**	120,718
CDMA/GSM remote electric-downtilt antennas	**50,424**	39,092
PHS antennas	**—**	294
Yagi antennas	**—**	399
W-CDMA antennas	**76,418**	87,412
TD-SCDMA antennas	**29,376**	30,582
Multi-band/Multi-system antenna	**48,559**	40,030
Microwave antennas	**25,693**	48,005
Other antennas	**40,129**	56,519
	348,376	423,051
Base station RF subsystem		
CDMA 2000 RF devices	**32,704**	77,798
CDMA RF devices	**13,964**	21,637
GSM RF devices	**450,789**	282,441
CDMA/GSM RF devices	**—**	31,505
TD-SCDMA RF devices	**31,293**	2,478
W-CDMA RF devices	**21,402**	26,490
Other devices	**13,360**	5,307
	563,512	447,656
Coverage extension solution		
In-door antennas	**4,176**	2,161
Aesthetic antennas	**37,861**	30,109
Other products	**20,746**	33,920
Electric cables	**66,749**	43,325
	129,532	109,515
	1,041,420	980,222

Entity-wide disclosures-continued

Information about major customers

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

	2010	2009
	RMB'000	RMB'000
Customer A[1]	**315,522**	333,007
Customer B[2]	**171,366**	192,335
Customer C[3]	**253,610**	181,123
Customer D[3]	**122,910**	N/A[4]

[1] revenue mainly from antenna system and base station RF subsystem

[2] revenue mainly from antenna system

[3] revenue mainly from base station RF subsystem

[4] The corresponding revenue does not contribute over 10% of the total sales of the Group.

Geographical information

An analysis of the Group's geographical information on revenues attributed to the region on the basis of the customers' location is set out in the following table:

	2010	2009
	RMB'000	RMB'000
PRC	**933,840**	863,908
Overseas		
India	**5,569**	28,362
Finland	**57,488**	77,114
Others	**44,523**	10,838
Subtotal	**107,580**	116,314
	1,041,420	980,222

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

4. OTHER INCOME

	2010 RMB'000	2009 RMB'000
Government grants		
- related to expense items	**6,245**	1,742
- related to assets	**1,452**	1,181
Compensation income	**932**	1,049
Interest income	**3,689**	440
Gain on sales of materials and scraps	**43**	—
Others	**612**	84
	12,973	4,496

5. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank borrowings		
- wholly repayable within five years	**3,471**	4,357

6. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
Current year:		
PRC income tax	**13,177**	20,298
Deferred tax	**1,673**	(1,330)
	14,850	18,968

The Company was incorporated in the Cayman Islands and is exempted from income tax. It is not subject to tax in other jurisdictions.

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 years ended 31 December 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 Telecommunication 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 years ended 31 December 2009 and 2010.

The applicable tax rate of MOBI Technologies (Xi'an) Co., Ltd. ("MOBI Xian") is 25% for the years ended 31 December 2009 and 2010.

7. PROFIT AND THE TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2010	2009
	RMB'000	RMB'000
Directors' remuneration	**2,659**	1,644
Retirement benefits scheme contributions	**7,028**	5,219
Other staff costs (a)	**120,061**	108,719
Equity-settled share-based payment expenses	**—**	491
	129,748	116,073
Auditors' remuneration	**1,590**	1,630
Operating lease rentals in respect of		
- prepaid lease payments	**462**	434
- rented premises	**6,562**	5,776
Depreciation	**17,910**	15,114
Amortisation	**505**	—
Cost of inventories recognised as expenses	**786,435**	699,718
Write-down of inventories (included in administrative expenses)	**830**	1,017
Loss on disposals of property, plant and equipment	**—**	66
Net exchange loss	**13,796**	359

Note:

(a) Included in other staff costs is RMB2,859,000 (2009: RMB2,248,000), which represents the rental expense for the staff quarter for the year ended 31 December 2010.

8. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
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	**19,052**	—
	19,052	15,000

A final dividend of HK$0.02 per share (2009: final dividend of HK$0.03 per share) in respect of the year ended 31 December 2010 amounting to approximately RMB13.5 million has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

9. 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:

	2010	2009
	RMB'000	RMB'000
Earnings		
Profit for the year and attributable to owners of the Company	**84,105**	107,470
Less:		
2007 second dividend of RMB0.1424 per Series A preferred share	**—**	(4,359)
Earnings for purpose of basic earnings per share	**84,105**	103,111
Effect of dilutive potential ordinary shares:		
2007 second dividend of RMB0.1424 per Series A preferred share	**—**	4,359
Earnings for purpose of diluted earnings per share	**84,105**	107,470

	2010	2009
	Shares'000	Shares'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**796,436**	425,894
Effect of dilutive potential ordinary shares		
- Conversion of Series A preferred shares	**—**	161,383
- 2003 share options	**10,107**	14,177
- 2005 share options	**7,730**	12,096
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**814,273**	613,550

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 and bonus issue, pursuant to a shareholder resolution passed on 25 November 2009 and 1 June 2010 respectively, had been effective on 1 January 2009.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Trade receivables	**528,541**	331,384
Less: allowance for doubtful debts	**(1,371)**	(1,371)
	527,170	330,013
Notes receivable	**171,548**	201,523
Rental and utility deposits	**1,700**	1,924
Advance to suppliers	**8,729**	6,946
Value added tax receivable	**17,147**	—
Other receivables, other deposits and prepayments	**8,043**	19,060
	734,337	559,466

There is no movement of allowance for doubtful debts during the two years ended 31 December 2010.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB1,371,000 (2009: RMB1,371,000), which have defaulted on payment. The Company considers that the recoverability of these receivables is low and therefore allowance for bad and doubtful debts has been provided. The Group does not hold any collateral over these balances.

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:

	2010	2009
	RMB'000	RMB'000
0 to 30 days	**210,959**	113,242
31 to 60 days	**56,557**	65,595
61 to 90 days	**49,631**	20,453
91 to 120 days	**43,203**	11,613
121 to 180 days	**41,275**	21,181
Over 180 days	**125,545**	97,929
	527,170	330,013

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

	2010	2009
	RMB'000	RMB'000
0 to 30 days	**37,752**	14,382
31 to 60 days	**50,017**	52,704
61 to 90 days	**38,387**	32,324
Over 90 days	**45,392**	102,113
	171,548	201,523

Aged analysis of trade receivables which are past due but not impaired:

	2010	2009
	RMB'000	RMB'000
0 to 30 days	**17**	50
31 to 60 days	**—**	502
61 to 90 days	**—**	581
91 to 120 days	**17**	29
121 to 180 days	**—**	33
Over 180 days	**4,089**	3,910
Total	**4,123**	5,105

The Group does not hold any collateral over these balances. The average age of trade receivables is 149 days (2009: 99 days).

The Group's trade receivables of RMB74,299,000 (2009: RMB45,350,000), were denominated in US$ and Euro, foreign currencies of the respective group entities.

11. TRADE AND OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Trade payables	**454,587**	310,025
Notes payable	**131,013**	170,278
Payroll payable	**14,080**	20,602
Payable for acquisition of property, plant and equipment	**1,148**	996
Other taxes payable	**8,150**	7,039
Accrued expenses	**15,280**	18,018
Receipt in advance	**13,358**	5,757
Others	**5,766**	5,097
	643,382	537,812

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

	2010 RMB'000	2009 RMB'000
0 to 30 days	**80,908**	70,555
31 to 60 days	**73,990**	55,324
61 to 90 days	**75,751**	45,895
91 to 180 days	**165,985**	102,147
Over 180 days	**57,953**	36,104
	454,587	310,025

Typical credit term of trade payables ranges from 60 to 120 days.

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

	2010 RMB'000	2009 RMB'000
0 to 30 days	**12,000**	1,106
31 to 60 days	**59,099**	61,985
61 to 90 days	**21,431**	—
Over 90 days	**38,483**	107,187
	131,013	170,278

Typical credit term of notes payable ranges from 90 to 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

Compared with last year, revenue increased by approximately RMB61.2 million, or approximately 6.2% in 2010 to RMB1,041.4 million (2009: RMB980.2 million).

Sales of antenna system decreased by 17.6% to approximately RMB348.4 million (2009: RMB423.1 million) whilst sales of base station RF subsystem and sales of products of coverage extension solution increased by approximately 25.9% and 18.3% to RMB563.5 million (2009: RMB447.7 million) and RMB129.5 million (2009: RMB109.5 million), respectively.

Antenna system

Driven by the grant of 3G licenses in 2009, the PRC network operators had a strong demand of our 3G related products for their deployment of 3G networks, while, the enhancement and broadening work of their current 2G networks were kept going. As a result, there was a significantly increase of revenue in 2009 compared with previous years. In 2010, PRC network operators deferred and carried out their network building in a slower pace than last year. However, the sales of our advanced antenna products to existing and new customers for different countries (including India, Indonesia, Vietnam, Mexico, the United States) rebound significantly in the second half of 2010. This partly offset the unfavourable result led by the PRC local market.

Accordingly, the revenue from our antenna system for dual/multiple usage*, 3G usage** and 2G/other usage# were reduced by approximately 12%, 10% and 37%, respectively to approximately RMB176.8 million, RMB105.8 million and RMB65.8 million. These show significant improvement as compared to the corresponding decline of revenue by approximately 46%, 22% and 40%, respectively as recorded in the first half the year.

(* This represents CDMA/GSM fixed-downtilt and remote electric-downtilt antennas and Multi-band/Multi-system antenna.)

(** This represents W-CDMA antennas and TD-SCDMA antennas.)

(# This represents all other antennas not mentioned above.)

Base station RF subsystem

We recorded an encouraging growth of revenue in 2010 despite the deferral of procurement by PRC network operators as well as the associated influence to a network solution provider customer in the first half of the year. Our diversified customers base and full range of sophisticated products enable us to capture different opportunities in different markets.

Revenue from base station RF subsystem products for 3G usage* improved significantly from a decline of approximately 65% in the first half of the year to a decline of approximately 20% to approxiamtely RMB85.4 million in the full year of 2010. Whereas, revenue from base station RF subsystem products for 2G/other usage** surged further from a growth of approximately 29% in the first half of the year to a growth of approximately 40% to approximately RMB478.1 million in the full year.

(* This represents CDMA 2000 RF devices, TD-SCDMA RF devices and W-CDMA RF devices)

(** This represents GSM RF devices and all other RF devices not mentioned above.)

Coverage extension solution

We dedicate to achieve a balanced portfolio of products. During the year, revenue from aesthetic antennas recorded a growth of approximately 26% to approximately RMB37.9 million. At the same time, revenue from electric cables and other products recorded a mild growth of approximately 13% to approximately RMB87.5 million.

Customers

As discussed above, the deferral of procurement by PRC network operators from first half to second half of 2010 resulted in a reduction of revenue from them. Revenue generated from PRC network operators, namely China Mobile Communication Corporation, China United Telecommunications Corporation and China Telecommunications Corporation, was totalling approximately RMB302.6 million as compared to RMB349.8 million in 2009.

Despite an approximately 49.7% reduction of revenue from ZTE Corporation ("ZTE") was recorded in first half of the year, a strong recovery of revenue was recorded in the second half of the year. PRC network operators resumed procurement as well as the implementation of ZTE's network building projects in various emerging countries led to a huge demand on our antenna products and base station RF subsystem products. As a result, our sales to ZTE reduced mildly to approximately RMB315.5 as compared to RMB333.0 million in 2009.

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 40% and 226% to approximately RMB253.6 million (2009: RMB181.1 million) and RMB122.9 million (2009: RMB37.7 million), respectively.

The deployment of our products by our diversified international customers into their network systems strengthened the worldwide awareness of the brand name of MOBI.

Gross profit

In 2010, we recorded an approximately 9.1% decrease of gross profit to approximately RMB255.0 million in 2010 (2009: RMB 280.5 million) and gross profit margin was reduced from 28.6% in 2009 to 24.5% in this year. It was due primarily to the intensified competition among the vendors in PRC, reduction of revenue from 3G products which generated higher margin in 2009 and higher proportion of revenue was generated from lower margin 2G products as demanded by customers.

Despite competition among vendors posed pressure on gross profit margin of 3G antenna products, such adverse effect was compensated by the sales of newly developed advanced dual/multiple usage antennas. They were more value adding to our customers and generated higher gross profit margin to us. Our antenna segment achieved an improvement of gross profit margin from approximately 29.3% in 2009 to approximately 30.5% in 2010.

In 2010, a higher proportion of revenue was generated from GSM RF devices which generated lower gross profit margin. As a result, gross profit margin of our segment for RF subsystem products reduced from approximately 27.7% in 2009 to approximately 23.2% in 2010.

Despite we recorded an increase of sales of aesthetic antenna which generated satisfactory gross profit margin, fluctuation of raw material costs led to the decrease of gross profit margin in our electric cables and other products. Accordingly, the overall gross profit margin of products for coverage extension solution reduced from approximately 30.1% in 2009 to approximately 13.8% in 2010.

Other income

Other income increased to approximately RMB13.0 million. It was attributable to the increased bank interest income arising from the net proceeds from the listing of the Company's share on the Hong Kong Stock Exchange ("IPO") completed in December 2009 as well as increased government grant.

Distribution and selling expenses

Distribution and selling expenses decreased from approximately RMB51.8 million in 2009 to approximately RMB47.5 million in 2010. It was primarily due to the decrease of transportation, logistic cost and business development expenses as a result of reduction of sales of antenna products. Saving of the aforementioned expenses was partly offset by the increase of staff cost as a result of increased average headcount for business expansion.

Administrative expenses

Administrative expenses increased from approximately RMB65.9 million in 2009 to approximately RMB80.9 million in 2010. The reasons included: (1) appreciation of RMB against HKD, USD and EURO that led to an exchange loss on the Group's assets which were denominated in such foreign currencies; (2) business growth led to the increase of headcount, wage rate and related statutory obligations; (3) professional and advisory retainer fee incurred upon listing of the Company; (4) increased depreciation charge and maintenance expenses; and (5) rental expense incurred for the new production plant located in Baoan, Shenzhen.

Research and development costs

During the year, the Group recognised approximately RMB5.9 million development cost as intangible assets. After the capitalization, research and development costs increased from approximately RMB36.5 million in 2009 to approximately RMB37.1 million in 2010. It was mainly attributable to the increased material costs and testing fees for development projects tailor-made for customers and increaed depreciation charge arising from new equipments.

Finance costs

Although the bank borrowing interest rate was lifted in PRC, the Group reduced its bank borrowing to save finance costs. As a result, finance costs decreased from approximately RMB4.4 million in 2009 to approximately RMB3.5 million in 2010.

Profit before taxation

Profit before taxation decreased by approximately 21.7% to approximately RMB99.0 million (2009: RMB126.4 million). Net profit margin before tax charge reduced from approximately 12.9% in 2009 to 9.5% in 2010.

Income tax expenses

Income tax expenses reduced from approximately RMB19.0 million in 2009 to RMB14.9 million in 2010. Effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 15.0% and 15.0% for 2010 and 2009, respectively.

Profit for the year

Profit for the year 2010 decreased by approximately 21.7% to RMB84.1 million (2009: RMB107.5 million). Our net profit margin was approximately 8.1% in 2010, compared to 11.0% in 2009. To conclude, decrease in our net profit margin was due to the reduction of sales of dual/multiple usage and 3G products that previously commanded higher gross profit margin, reduced gross profit margin and more operating expenses were incurred upon the expansion of operation scale for future development in Shenzhen, Jian and Xi'an.

FUTURE PROSPECTS

Prospects

Looking forward, the Group will pay synchronized attention to the domestic and international market and continue to focus on RF technology for wireless communication, especially on base station RF technology and RF technology of other wireless communications.

Customers

Aiming to become a leading provider of RF technology for mobile communications, the Group will strive to offer its RF solution to internationally renowned network solution providers and network operators.

The Group is one of the few providers offering RF solutions to both wireless network solution providers and network operators worldwide. In 2010, our sales to these overseas customers increased by over 50% and this further enhanced the recognition of our brandname. In addition, the Group's products have passed the certification tests and secured orders from clients in North America and Europe. Research and development activities of various new products such as LTE (Long Term Evolution, an evolution over 3G technology) products are also well under way. We believe that our presence in international market will grow continuously with the support of a more comprehensive products and technology portfolio.

Moreover, as the network penetration in emerging markets remained low, the products sold by the Group and through wireless network solution providers customers to emerging markets, such as Indonesia and Vietnam, also increased significantly in 2010. With the increasing demand for telecommunications, the development of 3G network and the resumption of sales to Indian market in the second half of 2010, the Group will keep focus on the rapid growth in emerging markets, including Asia-Pacific Region, Latin America, Middle East and Africa, and provide customers with one-stop solutions of base station RF technology.

According to the domestic and international experience in establishing network, the 3G network establishment in the PRC is expected to last for several years. Continuous development of 3G terminals and increasing data application will drive the growth of 3G network establishment in the PRC . In addition, in view of the demand for network capacity expansion due to the increasing data flow in 2G network, the Group believes that the capital expenditure of domestic operators will grow again in the future, which in return will increase the demand for the antenna and coverage extension products of the Group from domestic operators as well as the demand of RF subsystem products from network solution providers.

Products

In 2010, we continued to invest in research and development and further upgraded our product technology capacity by establishing a world-class laboratory for testing of antenna directional pattern.

For antenna system products, the Group achieved remarkable progress in expanding the markets of overseas network operators and wireless network solution providers in addition to further consolidating the leading position in the domestic operator market in 2010. Various antenna products of the Group passed certification tests of international wireless network solution providers customers, including base station antennas which passed the tests and secured orders from European network operators. Our ability to provide products and solutions for international customers was significantly enhanced. We have emerged as a leading domestic provider of various antenna with multi-frequencies and multi-systems which have been deployed in networks for various overseas projects.

In respect of RF subsystem products, our CDMA RF subsystem products passed certification tests and secured orders from the North American customers in 2010. The Group were also commissioned to develop RF subsystem products for LTE. In addition, with the launch of various RF subsystem products with multi-frequencies, the demand of 3G, 4G and RF subsystem products with multi-frequencies are expected to increase substantially. The Group has achieved a breakthrough in the development of its ceramic loading filter technology, which has significantly enhanced the function of filter after miniaturization. The Group also provides RF subsystem solutions to network operator customers, such as tower amplifiers. One-stop tower mounted solutions integrating antenna system products and other products are also provided to customers.

In respect of coverage extension products, the optimisation and improvement of 3G network construction will stimulate the demand of base station antennas and base station RF subsystem as well as boosting the demand for aesthetic antennas, in-door 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 in the PRC. 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 and the Board will continue to optimise the customer base and structure, adopt 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

We have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers and short-term bank borrowings. Our primary uses of cash have been for our increased working capital requirements, capital expenditures on purchases of production equipment and acquisition of land use rights for our real properties in Shenzhen, Jian and Xian in the PRC.

As at 31 December 2010, the Group had net current assets of approximately RMB837.6 million (2009: RMB775.8 million) including inventories of approximately RMB307.9 million (2009: RMB315.5 million), trade and notes receivable of approximately RMB698.7 million (2009: RMB531.5 million) and trade and notes payable of approximately RMB585.6 million (2009: RMB480.3 million).

The Group maintained an effective management of its working capital. For the year ended 31 December 2010, average inventories turnover, average receivables turnover and average payables turnover are approximately 145 days (2009: 140 days), 216 days (2009: 163 days) and 247 days (2009: 213 days) respectively. We offer credit terms generally accepted in the antennas and base station RF subsystems manufacturing industry to our trade customers. In general, the average credit period for local network operators is longer than global network operators and solution providers.

As at 31 December 2010, the Group recorded a pledged bank balances of approximately RMB13.0 million (2009: RMB26.5 million), cash and bank balances of approximately RMB437.8 million (2009: RMB553.3 million) and no short-term bank borrowing (2009: RMB127.1 million). The current ratio (current assets divided by current liabilities) increased to approximately 2.3 times as at 31 December 2010 from 2.1 times as at 31 December 2009. The gearing ratio (bank borrowings divided by total assets) was 0% 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

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 USD, Euro and HKD. 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, significant portion of our bank balances are denominated in HKD. The Board currently considers that the appreciation of RMB should have an unfavourable impact on the Group's financial results. The management carried out various measures to limit foreign exchange exposure. As at 31 December 2010, HKD equivalent to approximately RMB124 million was kept in our bank balances.

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 RMB550 million after deduction of related expenses. As at 31 December 2010, the Company has already applied approximately RMB169 million in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 December 2009 (the "Prospectus"):

— Approximately RMB32 million, RMB34 million, RMB5 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 RMB37 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 RMB5 million was applied in the operation and expanding of our R&D centre in Xian;

— Approximately RMB55 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 31 December 2010, the Group had approximately 2,900 staff. The total staff costs amounted to approximately RMB130 million for the year ended 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 31 December 2010, bank balances of approximately RMB13.0 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the year ended 31 December 2010 and up to the date of this announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance with a view to safeguard the interests of its shareholders and to enhance corporate value. Detailed corporate governance practices will be stated in the Company's annual report for the year ended 31 December 2010 (the "2010 Annual Report"). The Board is of the view that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Listing Rules, except for the following deviation:

Code Provision A.2.1

This code provision 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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee comprises three indpendent non-executive Directors, namely, Mr. Zhang Han (chairman of the Audit Committee), Mr. Li Tianshu and Mr. Bao Fan. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationships with external auditors, the Company's financial reporting, including the review of the annual results for the year ended 31 December 2010, the internal control and the risk management system. The Group's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

DIVIDEND

To share the fruitful results of the Group among all the shareholders, the Board recommends the payment of a final dividend of HK$0.02 per share out of distributable reserve of the Company in respect of the year ended 31 December 2010. The date of closure of the register of members of the Company regarding the entitlement of final dividend will be published in due course. The proposed final dividend will be paid in or before July 2011 following approval at the forthcoming annual general meeting (the "AGM").

ANNUAL GENERAL MEETING

A notice of AGM will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND 2010 ANNUAL REPORT

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

On behalf of the Board
MOBI Development Co., Ltd.
Hu Xiang
Chairman

22 March 2011

As at the date of this announcement, the executive Directors 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.