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 2011

- Revenue increased to approximately RMB439.2 million, representing an increase of approximately 8.9%.
- Gross profit margin decreased from approximately 26.7% in the first half of 2010 to approximately 21.9% in the first half of 2011.
- Profit attributable to owners of the Company was approximately RMB27.81 million, representing an increase of approximately 11.2%.
- Basic earnings per share for the six months ended 30 June 2011 was approximately RMB3.49 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 2011 together with the comparative figures for the corresponding period in 2010. 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 2011

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Revenue	3	**439,185**	403,315
Cost of sales		**(343,184)**	(295,613)
Gross profit		**96,001**	107,702
Other income	3	**8,290**	4,923
Research and development costs		**(13,725)**	(20,140)
Distribution and selling expenses		**(21,130)**	(23,050)
Administrative expenses		**(35,152)**	(37,378)
Finance costs	4	**—**	(3,035)
Profit before taxation		**34,284**	29,022
Income tax expense	5	**(6,477)**	(4,016)
Profit and the total comprehensive income for the period attributable to owners of the Company	6	**27,807**	25,006
Earnings per share			
– basic (RMB cents)	8	**3.49**	3.14
– diluted (RMB cents)	8	**3.39**	3.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**187,118**	172,048
Prepaid lease payments		**20,465**	20,683
Deferred tax assets		**5,155**	5,657
Intangible assets		**11,560**	5,431
		224,298	203,819
Current assets			
Inventories		**352,512**	307,855
Trade receivables	9	**555,807**	527,170
Notes receivable		**121,734**	171,548
Prepayments, deposits and other receivables		**58,388**	36,081
Pledged bank balances		**5,510**	13,011
Bank balances and cash		**340,786**	437,836
		1,434,737	1,493,501
Current liabilities			
Trade payables	10	**411,621**	454,587
Notes payable		**104,427**	131,013
Other payables and accruals		**66,700**	58,517
Tax payable		**5,807**	10,497
Deferred income		**1,273**	1,243
		589,828	655,857
Net current assets		**844,909**	837,644
Total assets less current liabilities		**1,069,207**	1,041,463
Non-current liabilities			
Deferred income		**2,904**	3,569
Net assets		**1,066,303**	1,037,894
Capital and reserves			
Issued capital		**6**	6
Reserves		**1,066,297**	1,037,888
Equity attributable to owners of the Company		**1,066,303**	1,037,894

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 2010.

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 2010 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 2011. 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:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (revised in 2011)	Employee Benefits[2]
HKAS 27 (revised in 2011)	Separate Financial Statements[2]
HKAS 28 (revised in 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2012.
[4] Effective for annual periods beginning on or after 1 July 2012.

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 2010 and 2011. 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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	**124,512**	132,409
Base station RF subsystem	**268,516**	196,263
Coverage extension solution	**46,157**	74,643
	439,185	403,315
Segment results		
Antenna system	**23,779**	35,014
Base station RF subsystem	**48,361**	41,092
Coverage extension solution	**10,136**	11,456
	82,276	87,562
Reconciliation of segment results to profit before taxation:		
Other income	**8,290**	4,923
Other expenses	**56,282**	(60,428)
Finance costs	**—**	(3,035)
Profit before taxation	**34,284**	29,022

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segement information:		
Depreciation		
Antenna system	**2,352**	1,770
Base station RF subsystem	**5,088**	2,771
Coverage extension solution	**873**	956
Segment total	**8,313**	5,497
Unallocated amount	**2,669**	2,705
Group total	**10,982**	8,202
Research and development costs:		
Antenna system	**5,171**	7,453
Base station RF subsystem	**6,450**	9,814
Coverage extension solution	**2,103**	2,873
Group total	**13,725**	20,140

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2010 and 2011.

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 2010. 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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Antenna system		
CDMA/GSM fixed-downtilt antennas[1]	**24,877**	29,277
CDMA/GSM remote electric-downtilt antennas[1]	**13,505**	13,873
W-CDMA antennas[3]	**30,631**	44,788
TD-SCDMA antennas[3]	**9,079**	2,657
Multi-band/Multi-system antenna[1]	**29,357**	10,043
Microwave antennas	**4,114**	13,033
Other antennas	**12,949**	18,738
	124,512	132,409
Base station RF subsystem		
CDMA 2000 RF devices[3]	**7,142**	19,713
CDMA RF devices[2]	**9,959**	3,388
GSM RF devices[2]	**215,221**	159,466
TD-SCDMA RF devices[3]	**6,222**	306
W-CDMA RF devices[3]	**15,550**	8,676
Other devices	**14,422**	4,714
	268,516	196,263
Coverage extension solution		
In-door antennas	**199**	1,212
Aesthetic antennas[1]	**26,112**	20,736
Other products	**13,621**	19,480
Electric cables	**6,225**	33,215
	46,157	74,643
	439,185	403,315

1 Dual/multiple usage

2 2G related products

3 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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A[1]	**130,250**	93,504
Customer B[2]	**95,515**	105,211
Customer C[1]	**74,891**	47,591
Customer D[3]	**50,870**	99,428
Customer E[3]	**48,644**	44,768

1 revenue mainly from antenna system and base station RF Subsystem

2 revenue mainly from base station RF Subsystem

3 revenue mainly from antenna system and coverage extension solution

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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	**388,556**	355,585
Overseas		
India	**14,339**	4,828
Finland	**25,329**	28,316
Others	**10,961**	14,586
Subtotal	**50,629**	47,730
	439,185	403,315

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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF Subsystems and products of coverage extension solution	**439,185**	403,315
Other income		
Government grants	**4,678**	2,840
Compensation income	**695**	505
Interest income	**2,859**	1,502
Others	**58**	76
	8,290	4,923

4. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings		
- wholly repayable within five years	**—**	3,035

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	**5,974**	3,204
Deferred tax	**503**	812
	6,477	4,016

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 2010 and 2011. 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 (Jian) 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 2010 and 2011.

The applicable tax rate of MOBI Technologies (Xian) Co., Ltd. is 15% for the six months ended 30 June 2011.

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:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**10,982**	8,202
Amortization of prepaid lease payments	**217**	236
Cost of inventories recognised as expenses	**341,676**	295,613
Net exchange loss	**3,672**	6,540

7. DIVIDENDS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2009 final dividend of HK$0.03 per ordinary share	**—**	19,052
2010 final dividend of HK$0.02 per ordinary share	**15,960**	—
	15,960	19,052

At the board meeting held on 22 August 2011, the directors of the Company do not recommend any payments of interim dividend for the six months ended 30 June 2011.

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:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period and attributable to owners of the Company	**27,807**	25,006
Earnings for purpose of basic earnings per share	**27,807**	25,006
Earnings for purpose of diluted earnings per share	**27,807**	25,006

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**797,754**	795,279
Effect of dilutive potential ordinary shares		
- 2003 share options	**12,126**	12,306
- 2005 share options	**10,487**	11,734
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**820,367**	819,319

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:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
0 to 30 days	**180,128**	210,959
31 to 60 days	**71,045**	56,557
61 to 90 days	**36,898**	49,631
91 to 120 days	**22,195**	43,203
121 to 180 days	**27,419**	41,275
Over 180 days	**218,122**	125,545
	555,807	527,170

10. TRADE PAYABLES

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
0 to 30 days	**58,637**	80,908
31 to 60 days	**65,341**	73,990
61 to 90 days	**61,337**	75,751
91 to 180 days	**148,509**	165,985
Over 180 days	**77,797**	57,953
	411,621	454,587

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 2011 amounted to approximately RMB 439.1 million, representing an increase of 8.9% as compared with RMB 403.3 million in the corresponding period of 2010. Sales of antenna system and products of coverage extension solution decreased by approximately 5.9% and 38.1% to approximately RMB 124.5 million and RMB 46.16 million, respectively. Whereas, sales of base station RF subsystem increased by approximately 36.8% to approximately RMB 268.5 million. Revenue from products of dual/multiple and 3G usage increased by approximately 5.4% to approximately RMB 136.4 million when compared with the corresponding period of 2010.

Antenna system

The Group's products of antenna system are primarily sold to domestic network operators, as well as network operators in overseas markets (for example in emerging markets such as India and Southeast Asia); whilst a portion of our products of antenna system are sold to operators worldwide by way of network solution provider customers such as ZTE Corporation.

During the six months ended 30 June 2011, PRC domestic network operators have not completed their central procurement bidding processes. Hence, bulk procurements of network equipment have not yet commenced. Furthermore, due to the financial situation and communication competition in India, private operator customers in India deferred their plans on capital expenditures. As a result, revenue from sales of products of antenna system decreased by 6.8% to approximately RMB 125 million. Nevertheless, revenue from our multi-frequency/multi-systems increased by 192.3% to approximately RMB29.36 million as compared with the corresponding period of 2010. This was attributable to demands from overseas continued to grow. The Group believes multi-system stations are becoming the trend in network construction. Therefore, multi-frequency/multi-system antenna will also become the trend of development in future products of antenna systems. The business developments of the Group referred to above will help to maintain its competitive edge in the technology aspect.

Procurement by PRC domestic network operator has demonstrated periodical fluctuation in the recent years, with the volume acquired generally being higher in the second half of the year than the first. Moreover, the Group's products of microwave antenna were formally obtained certification by Nokia and Siemens in August 2011. Therefore, it is expected that products of antenna systems will continue to see positive growth.

Base station RF subsystem

Due to the combined advantages in technologies and price, the Group's market-share in base station RF subsystem continued to grow. For the six months ended 30 June 2011, revenue from base station RF subsystem products recorded a significant growth of 36.8% to RMB 269 million as compared to the corresponding period in 2010.

For the six months ended 30 June 2011, revenue from base station RF subsystem products for 3G usage were recorded at a level almost similar to that during the corresponding period of last year at approximately RMB 28.91 million. Whereas, revenue from base station RF subsystem products for 2G recorded significant growth of 38.3% to RMB 225 million as compared to the corresponding period in 2010.

As a result of the restructuring in the network businesses of Nokia and Siemens, revenue from the same recorded a slight decrease. On the other hand, revenue from ZTE Corporation and Alcatel-Lucent both increased significantly. Meanwhile, the Group has sold RF subsystem products in bulk to such customers as North America for the first time. In addition, there are various LTE products are under development at the same time. The Group believes that diversified customers and development of high-end products will facilitate performance growth and enhance profitability of our RT subsystem products.

Coverage extension solution

The Group dedicate to achieve a balanced portfolio of products. During the first half of 2011, revenue from the coverage extension solution decreased by 38.1% as compared to the corresponding period in 2010. Of which, revenue from aesthetic antennas recorded a growth of approximately 25.9% to approximately RMB 26.11 million. Due to price competition of electric cable market in the PRC, the sales of electric cable products to overseas market by the Group decreased significantly, and shifted to the supply of cable accessories domestically in order to reduce costs.

Customers

The deferral of procurement by PRC domestic network operators resulted in a significant reduction of revenue therefrom. Sales to the PRC network operator China Mobile Communication Corporation grew by 57.9% to RMB 48.64 million; sales to China Unicom Telecommunications Corporation and China Telecommunications Corporation decreased by approximately 48.8% and 60.3% to approximately RMB 50.87 million and RMB 7.18 million, respectively as compared to the first half of 2010.

We are committed to providing quality and sophisticated products and building long term relationships with our customers. With thecombined advantages in technologies and pricing, the Group managed in continuing the expansion of supply to multiple network solution provider customer. During the first half of 2011, sales to ZTE Corporation and Alcatel-Lucent increased by approximately 39.3% and 98.5% to approximately RMB 130 million and RMB 74.89 million, respectively as compared to the corresponding period of 2010. Being affected by the business restructurings in Nokia and Siemens, sales decreased by approximately 9.2% to approximately RMB 95.52 million as compared to the first half of 2010.

Gross Profit

Our gross profit reduced by approximately RMB 11.7 million or 10.9% from approximately RMB 107.7 million in the first half of 2010 to approximately RMB 96 million in the first half of 2011.

During the six months ended 30 June 2011, our overall gross profit margin reduced to 21.9% as compared to 26.7% of the corresponding period last year. The reduction in our gross profit margin was due primarily to an increase in the scales of network solution provider clients being followed by downward moving along the pricing hierarchy as well as the intensified competition among the vendors in the PRC and increase in cost.

Being affected by the implementation in a new scheme for sales to domestic network operator customers whilst pricing and the intensified competition in the market in the PRC remain unchange, the gross profit margin of antenna system products decreased from 31.6% during the corresponding period in 2010 to 23.6% in 2011. We expect the gross profit margin of antenna system products to recover during the second half of the year as procurement prices are renewed and sales in overseas markets grow.

As there was a downward movement in the pricing hierarchy due to the expanding the scale of existent product sales to network solution provider customers and the intensified competition among the vendors in the PRC, the profit margin of base station RF subsystem decreased from 25.9% during the corresponding period in 2010 to 20.8% in 2011. We expect that the profit margin will be lifted as the increased production of new products for network solution provider customers, and the continuously increased proportion of 3G and 4G products and as the structural components for internal supply fully enters production in the third quarter of 2011.

Despite the stable profit margin of aesthetic antenna, fluctuation in raw material costs led to the decrease in gross profit margin of cables and other products. Accordingly, the overall gross profit margin of our coverage extension solution products reduced from 26.6% to 22.2%.

Other Income

Other income increased to approximately RMB 8.29 million, whichwas attributable to the increased bank interest income arising from the net proceeds from the listing of the Company as well as increased government subsidy received by the Group.

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB 23.05 million in the first half of 2010 to RMB 21.13 million in the first half of 2011, which was primarily attributable to the decrease in the sales of antenna products resulting in the decrease in the transportation and logistics cost. Furthermore, decreases in sales of coverage extension solution products attribute to lowered demonstration, aftersales, and agency fees. The reductions made to operating and travel expenses also correspond to lower overall distribution and selling expenses.

Administrative Expenses

Administrative expenses decreased by approximately RMB 2.23 from approximately RMB 37.38 million in the first half of 2010 to approximately RMB 35.15 million in 2011 of the same period. The reasons included: (1) corresponding decrease in professional and advisory retainer fee upon listing of the Group; (2) decrease in office expenses, communication cost and maintenance expenses; (3) The Group speeded up exchange settlement for listing funding. that led to a reduced exchange loss on the Group's assets which were denominated in such foreign currencies. Save as the aforesaid, expenses was partly offset by the increased depreciation charge and maintenance expenses as a result of increased average headcount for business expansion in the new production plant located in Jian.

Research and Development Costs

For the six months ended 30 June 2011, the Group recognised development cost of approximately RMB7.27 million as capitalization expenses. After the capitalization, research and development costs decreased by approximately RMB6.41 million from approximately RMB 20.14 million in the first half of 2010 to approximately RMB 13.73 million in the first half of 2011. It was mainly attributable to the capitalization of material costs and testing fees for product development.

Finance Costs

Finance costs decreased from approximately RMB3.04 million in the first half of 2010 to currently no borrowings in the first half of 2011. All bank loans and borrowings were repaid in full at the year end of 2010.

Profit Before Taxation

Profit before taxation increased by approximately RMB5.26 million, or approximately 18.1%, from approximately RMB 29.02 million to approximately RMB 34.28 million. Net profit margin before tax charges reduced from approximately 7.2% in 2010 to approximately 7.8% in 2011.

Income Tax Expense

Our income tax expenses increased by approximately RMB2.46 million from approximately RMB 4.02 million in 2010 to approximately RMB 6.48 million in 2011. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 18.9% and 13.8% for 2011 and 2010, respectively.

Profit for the reporting period

Profit for the first half of 2011 increased by 11.2%, from approximately RMB 25 million for the corresponding period in 2010 to approximately RMB 27.81 million. Our net profit margin was approximately 6.3%, compared to 6.2% for the corresponding period in 2010. The increase in our net profit margin was the result from reduced research and development cost and administrative expenses.

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, in particular 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 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 reputable customers require longer turnaround time and very strict certification requirements on their suppliers. By leveraging on its advantages of cost and technology, the Group has established strong relationships with a number of international well-known customers. We believe this can strengthen our competitiveness in the global market to a material extent. The Group will further improve its development strategy of overseas markets and international business.

The sales of the Group to major international network solution providers recorded a considerable growth in the first half of 2011. The customers are leading global network solution providers with significant scale of business. The Group believes that there will still be opportunities for these customers to provide us with growth in revenue.

At the same time, the Group believes that, with a majority of the network operators of PRC conducting their central bidding procurement process in the second half of 2011, demands of our products from domestic network operators and network solution providers will be significantly higher than the first half of the year. The Group is confident on its annual results of operation.

Products

For antenna systems, the growth in sales of antenna systems of the Group during the first half of 2011 was restricted by the postponement in committing capital expenditures by network operators in the PRC and India. However, the potential for demand from the international market remains high, for which overseas brands continue to dominate. The Group has been focusing on improving the technology content of our products to meet the needs of international customers. In August 2011, the Group's microwave antenna products were approved by Nokia Siemens Network. The Group believes that this prospect will directly bring sales opportunities, and will allow the Group to expand positively in brand recognition and market share the international market through customer channels.

The technology of antenna products is evolving rapidly around the world at present. Integration and multi-system station is the trend of development. In the first half year of 2011, the Group recorded a strong and continuous year-on-year growth in its existing multi-frequencies and multisystems 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 close cooperation with international network solution providers, the Group is well positioned to keep abreast of the advanced technologies of base station RF. We can have better communication with the customers and understand their requirements, which will deepen the trust within us, and the competitive edges of the Group will also be strengthened. The Group recorded considerable growth in the sales of RF subsystem products to international network solution providers during the first half of 2011. Meanwhile we have achieved bulk sales to such customers for the first time. 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 reputable customers and diversified income sources, which contributes to the positive and stable growth of the Group.

The Group 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 and the IPO proceeds. We apply cash primarily in satisfying our increased working capital requirements and capital expenditures on purchases of production equipment in Shenzhen, Jian and Xian, China.

As at 30 June 2011, the Group had net current assets of approximately RMB 844.9 million (31 December 2010: RMB837.6 million) including inventories of RMB 352.5 million (31 December 2010: RMB307.9 million), trade and note receivables of approximately RMB 677.5 million (31 December 2010: RMB698.7 million) and trade and note payable of approximately RMB 516 million (31 December 2010: RMB585.6 million).

For the six months ended 30 June 2011, average turnover days of our inventories, trade and notes receivable and trade and notes payable are approximately 176 days (six months ended 30 June 2010: 200 days), 286 days (six months ended 30 June 2010: 232 days) and 294 days (six months ended 30 June 2010: 263 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. We maintained an adequate level of inventories for possible quick orders to be made by customers. This measure extended the average inventory turnover days. In the meantime, 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 2011, The Group pledged bank balance with a value of approximately HK$5.51million to the bank (31 December 2010: RMB13.01 million), cash and bank balances of approximately RMB 340.8 million (31 December 2010: RMB437.8 million) and did not record any short term bank borrowing (31 December 2010: nil). The current ratio (current assets divided by current liabilities) increased to approximately 2.4 times as at 30 June 2011 from approximately 2.3 times as at 31 December 2010. The gearing ratio (bank borrowings divided by total assets) was nil, whereas the gearing ratio as at 31 December 2010 was also nil.

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 2011, the Company has already applied approximately RMB219 million in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 December 2009 (the "Prospectus"):

— Approximately RMB44 million, RMB38 million, RMB20 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 RMB63 million was applied to finance our research and development efforts in Shenzhen, Jian and 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 2011, the Group had approximately 2,800 staff. The total staff costs amounted to approximately RMB 63.53 million for the six months ended 30 June 2011. 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 2011, bank balances of approximately RMB 5.51 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 30 June 2011, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB12,619,000. 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 2011.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

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 2011 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 2011.

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 2011 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 2011 INTERIM 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 2011 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, 22 August 2011

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. Lai Yong Xiang, 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.