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 2011 and Formation of Nomination Committee

- Revenue decreased to approximately RMB798 million, representing an decrease of approximately 23.3%
- Gross profit margin increased from approximately 24.5% in 2010 to approximately 26.6% in 2011
- Profit attributable to owners of the Company was approximately RMB42.36 million, representing a decrease of approximately 49.6%
- Basic earnings per share for the year was approximately RMB5.31 cents
- Final dividend of HK$0.02 per share and special dividend of HK$0.01 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 2011.

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
Revenue	3	**798,060**	1,041,420
Cost of sales		**(585,919)**	(786,435)
Gross profit		**212,141**	254,985
Other income	4	**14,232**	12,973
Research and development costs		**(37,591)**	(37,095)
Distribution and selling expenses		**(55,041)**	(47,525)
Administrative expenses		**(80,784)**	(80,912)
Finance costs	5	**(58)**	(3,471)
Profit before taxation		**52,899**	98,955
Income tax expense	6	**(10,541)**	(14,850)
Profit and the total comprehensive income for the year attributable to owners of the Company	7	**42,358**	84,105
Earnings per share			
– basic (RMB cents)	9	**5.31**	10.56
– diluted (RMB cents)	9	**5.21**	10.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
Non-current Assets			
Property, plant and equipment		**203,532**	172,048
Deposits for purchase of plant and equipment		**24,818**	–
Prepaid lease payments		**20,239**	20,683
Deferred tax assets		**6,063**	5,657
Intangible assets		**13,481**	5,431
		268,133	203,819
Current Assets			
Inventories		**326,881**	307,855
Trade and other receivables	10	**764,035**	734,337
Tax recoverable		**3,348**	–
Prepaid lease payments		**453**	462
Pledged bank balances		**5,738**	13,011
Bank balances and cash		**300,112**	437,836
		1,400,567	1,493,501
Current Liabilities			
Trade and other payables	11	**539,887**	643,382
Dividend payable		**699**	735
Tax payable		**10,862**	10,497
Bank borrowings		**45,209**	—
Deferred income		**—**	1,243
		596,657	655,857
Net Current Assets		**803,910**	837,644
Total Assets less Current Liabilities		**1,072,043**	1,041,463
Non-current Liability			
Deferred income		**4,421**	3,569
Net Assets		**1,067,622**	1,037,894
Capital and Reserves			
Issued capital		**6**	6
Reserves		**1,067,616**	1,037,888
Equity attributable to owners of the Company		**1,067,622**	1,037,894

Note:

1. GENERAL

The Company is a public limited company incorporated in Cayman Island 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 Company and its principal subsidiaries.

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

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
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[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[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 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM"), 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 and operating 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

	2011	2010
	RMB'000	RMB'000
Segment revenues		
Antenna system	**248,025**	348,376
Base station RF subsystem	**472,151**	563,512
Coverage extension solution	**77,884**	129,532
	798,060	1,041,420
Segment results		
Antenna system	**54,711**	94,159
Base station RF subsystem	**94,191**	114,614
Coverage extension solution	**25,648**	9,117
	174,550	217,890
Reconciliation of segment results to profit before taxation:		
Other income	**14,232**	12,973
Other expenses	**(135,825)**	(128,437)
Finance costs	**(58)**	(3,471)
Profit before taxation	**52,899**	98,955
Other segment information		
Depreciation:		
Antenna system	**4,479**	3,937
Base station RF subsystem	**8,527**	6,369
Coverage extension solution	**1,407**	1,464
Segment total	**14,413**	11,770
Unallocated amount	**8,543**	6,140
Group total	**22,956**	17,910
Research and development costs:		
Antenna system	**13,597**	12,112
Base station RF subsystem	**19,505**	16,260
Coverage extension solution	**4,489**	8,723
Group total	**37,591**	37,095
Amortisation:		
Antenna system	**809**	226
Base station RF subsystem	**851**	279
Group total	**1,660**	505

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the two years ended 31 December 2011.

The accounting policies of the operating 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 CODM for the purposes of resource allocation and performance assessment.

No segment information on assets and liabilities is presented as such information is not reported to the CODM for the purposes of resource allocation and performance assessment.

Entity-wide disclosures:

Information about products

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

	2011	2010
	RMB'000	RMB'000
Antenna system		
CDMA/GSM fixed-downtilt antennas	**49,591**	77,777
CDMA/GSM remote electric-downtilt antennas	**20,463**	50,424
W-CDMA antennas	**73,556**	76,418
TD-SCDMA antennas	**12,616**	29,376
Multi-band/Multi-system antenna	**52,423**	48,559
Microwave antennas	**14,077**	25,693
Other antennas	**25,299**	40,129
	248,025	348,376
Base station RF subsystem		
CDMA 2000 RF devices	**12,836**	32,704
CDMA RF devices	**21,409**	13,964
GSM RF devices	**370,355**	450,789
TD-SCDMA RF devices	**13,394**	31,293
W-CDMA RF devices	**34,325**	21,402
Other devices	**19,832**	13,360
	472,151	563,512

Entity-wide disclosures - continued

Information about products - continued

	2011 RMB'000	2010 RMB'000
Coverage extension solution		
In-door antennas	**697**	4,176
Aesthetic antennas	**31,428**	37,861
Other products	**31,257**	20,746
Electric cables	**14,502**	66,749
	77,884	129,532
	798,060	1,041,420

Information about major customers

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

	2011 RMB'000	2010 RMB'000
Customer A[1]	**256,552**	315,522
Customer B[3]	**176,945**	122,910
Customer C[3]	**126,057**	171,366
Customer D[2]	**86,310**	253,610

1 revenue from antenna system and base station RF subsystem

2 revenue from base station RF subsystem

3 revenue from antenna system

Entity-wide disclosures - continued

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:

	2011 RMB'000	2010 RMB'000
PRC	**683,327**	933,840
Overseas		
India	**235**	5,569
Finland	**37,243**	57,488
Mexico	**41,832**	6,361
Others	**35,423**	38,162
Subtotal	**114,733**	107,580
	798,060	1,041,420

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

4. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Government grants		
– related to expense items	**4,159**	6,245
– related to assets	**1,258**	1,452
Compensation income	**1,207**	932
Interest income from bank deposit	**3,195**	3,689
Interest income from structured deposit	**4,238**	—
Others	**175**	655
	14,232	12,973

5. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	**58**	3,471

6. INCOME TAX EXPENSE

	2011	2010
	RMB'000	RMB'000
Current year:		
PRC Enterprise Income Tax ("EIT")	**10,947**	13,177
Deferred tax	**(406)**	1,673
	10,541	14,850

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

Hong Kong

The applicable tax rate of MOBI Technology (Hong Kong) Limited ("MOBI HK") is 16.5%. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as MOBI HK has no assessable profits for both years.

PRC

In 2008, MOBI Antenna Technologies (Shenzhen) Co., Ltd. ("MOBI Shenzhen") was 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 (the "Authority") and therefore was 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. On 31 October 2011, the Authority has further extended the preferential tax rate for further three years. Accordingly, the tax rate for MOBI Shenzhen is 15% for the two years ended 31 December 2011 and 2010.

According to the New PRC Enterprise Income Tax Law, the applicable tax rate of MOBI Telecommunication Technologies (Ji An) Co., Ltd. ("MOBI Jian") was 25% from 2008. In accordance with the tax legislations applicable to MOBI Jian, it was 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 was 12.5% for the year ended 31 December 2010. The tax rate for MOBI Jian is 25% for the year ended 31 December 2011.

The applicable tax rate of MOBI Xian 25% (2010: 25%) for the year ended 31 December 2011.

Tax charge for the year is reconciled to profit before taxation as follows:

		2011 RMB'000	2010 RMB'000
Profit before taxation		**52,899**	98,955
Tax at PRC EIT at 15%	(a)	**7,935**	14,843
Tax effect of expenses not deductible for tax purpose		**2,013**	572
Tax effect of income not taxable for tax purpose		**(189)**	(117)
Tax benefit	(b)	**(2,206)**	(1,895)
Effect of 50% tax relief granted to MOBI Jian		**—**	(1,294)
Tax effect of tax losses not recognised		**1,329**	567
Effect of different tax rates of group entities		**1,659**	2,461
Effect of excess of applicable tax rate for deferred tax over current tax on deductible temporary difference		**—**	(287)
Tax charge for the year		**10,541**	14,850

Notes:

(a) Applicable income tax rate of 15% represents the relevant income tax rate of MOBI Shenzhen, the major subsidiary of the Company which generates majority of the Group's assessable profit.

(b) Tax benefit represents an incentive scheme that, in addition to the research and development cost incurred which is deductible for tax purpose, a further 50% of the research and development cost incurred is deductible.

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 (crediting) the following items:

	2011	2010
	RMB'000	RMB'000
Directors' remuneration	**2,481**	2,659
Retirement benefits scheme contributions	**6,986**	7,028
Other staff costs (a)	**136,249**	120,061
	145,716	129,748
Auditors' remuneration	**1,587**	1,590
Operating lease rentals in respect of		
– prepaid lease payments	**453**	462
– rented premises	**9,431**	6,562
Depreciation of property, plant and equipment	**22,956**	17,910
Amortisation of intangible assets	**1,660**	505
Cost of inventories recognised as expenses	**585,919**	786,435
Write-down on inventories	**415**	830
Gain on disposals of property, plant and equipment	**(19)**	—
Allowance for doubtful debts	**568**	—
Net exchange loss	**7,249**	13,796

Note:

(a) Included in other staff costs is approximately RMB2,514,000 (2010: RMB2,859,000), which represents the rental expense for the staff quarter for the year ended 31 December 2011.

8. DIVIDENDS

	2011	2010
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2010 final dividend of HKD0.02 (2010: 2009 final dividend of HKD0.03) per ordinary share	**13,272**	19,052

A final dividend of HKD0.02 (2010: final dividend of HKD0.02) per share and a special dividend of HKD0.01 (2010: nil) per share in respect of the year ended 31 December 2011 aggregately amounting to approximately HKD23,943,000 (equivalent to RMB19,625,000) has been proposed by the directors and is subject to approval by the shareholders in 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:

	2011	2010
	RMB'000	RMB'000
Earnings		
Profit for the year and attributable to owners of the Company and earnings for purpose of basic and diluted earnings per share	**42,358**	84,105

	2011	2010
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**797,424**	796,436
Effect of dilutive potential ordinary shares		
– 2003 share options	**9,254**	10,107
– 2005 share options	**5,614**	7,730
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**812,292**	814,273

The weighted average number of ordinary shares for the purpose of calculating the earnings per share in 2010 has been adjusted retrospectively in relation to the Bonus Issue in 2010.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	RMB'000
Trade receivables	**471,056**	528,541
Less: allowance for doubtful debts	**(1,939)**	(1,371)
	469,117	527,170
Notes receivable	**220,796**	171,548
Rental and utility deposits	**2,896**	1,700
Advance to suppliers	**9,319**	8,729
Value added tax receivable	**45,792**	17,147
Other receivables and deposits	**16,115**	8,043
	764,035	734,337

Movement in the allowance for doubtful debts

Balance at beginning of the year	**1,371**	1,371
Allowance for doubtful debts	**568**	—
Balance at end of the year	**1,939**	1,371

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB1,939,000 (2010: 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 range from 30 to 240 days (2010: 30-120 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 the reporting period:

	2011	2010
	RMB'000	RMB'000
0 to 30 days	**207,131**	210,959
31 to 60 days	**42,154**	56,557
61 to 90 days	**17,525**	49,631
91 to 120 days	**27,290**	43,203
121 to 180 days	**44,993**	41,275
Over 180 days	**130,024**	125,545
	469,117	527,170

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

	2011	2010
	RMB'000	RMB'000
0 to 30 days	**12,670**	37,752
31 to 60 days	**100,641**	50,017
61 to 90 days	**50,574**	38,387
Over 90 days	**56,911**	45,392
	220,796	171,548

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

	2011	2010
	RMB'000	RMB'000
0 to 30 days	**—**	17
31 to 60 days	**1**	—
61 to 90 days	**—**	—
91 to 120 days	**68**	17
121 to 180 days	**58**	—
Over 180 days	**3,460**	4,089
Total	**3,587**	4,123

The Group does not hold any collateral over these balances.

The Group's trade receivables of RMB81,053,000 (2010: RMB74,299,000), were denominated in USD and EUR, foreign currencies of the respective group entities.

11. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	RMB'000
Trade payables	**319,064**	454,587
Notes payable	**125,073**	131,013
Payroll payable	**11,376**	14,080
Payable for purchase of property, plant and equipment	**9,286**	1,148
Other taxes payable	**5,373**	8,150
Accrued expenses	**7,805**	15,280
Receipt in advance	**54,447**	13,358
Others	**7,463**	5,766
	539,887	643,382

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

	2011	2010
	RMB'000	RMB'000
0 to 30 days	**32,450**	80,908
31 to 60 days	**36,483**	73,990
61 to 90 days	**25,742**	75,751
91 to 180 days	**99,264**	165,985
Over 180 days	**125,125**	57,953
	319,064	454,587

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

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

	2011	2010
	RMB'000	RMB'000
0 to 30 days	**40,464**	12,000
31 to 60 days	**42,725**	59,099
61 to 90 days	**200**	21,431
Over 90 days	**41,684**	38,483
	125,073	131,013

Typical credit term of note payables ranges from 90 to 180 days.

Certain of the Group's receipt in advance and others of RMB11,689,000 (2010: RMB5,557,000), and RMB3,561,000 (2010: RMB2,546,000), respectively, were denominated in foreign currencies of respective group entities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

Compared with last year, revenue decreased by approximately RMB243.4 million, or approximately 23.4% in 2011 to RMB798.1 million (2010: RMB1,041.4 million).

Sales of antenna system decreased by 28.8% to approximately RMB248 million (2010: RMB348.4 million) whilst sales of base station RF subsystem and sales of products of coverage extension solution decreased by approximately 16.2% and 39.9% to RMB472.2 million (2010: RMB563.5 million) and RMB77.88 million (2010: RMB129.5 million), respectively.

Antenna system

In 2011, PRC network operators deferred and carried out their network building in a slower pace than last year. Some PRC network operators did not proceed with procurement tender due to the postponement of network building. In addition, affected by the economy and communication competition in Europe, purchasing demand from some international equipment manufacturer customers dropped drastically. However, the Company recorded a significant growth in sales to some other international customers, which partly offset the unfavourable result led by the PRC and European markets.

The Company's multi-frequency multi-system antenna grew by approximately 8% over last year with a slight decrease of 4% for WCDMA antenna. This was due to the growth of demand from overseas customers. Purchases by domestic network operators in the PRC were subject to fluctuations over the past years with greater fluctuations in the second half year than in the first half year. However, in 2011, the publication of the result of the centralized procurement tender by China Unicom was postponed to November 2011 and had not been published by China Mobile up to the end of December 2011. Affected by this, demand from the domestic market in 2011 dropped substantially due to the postponement of building plans by PRC network operators.

Base station RF subsystem

Because of the deferral of procurement by PRC network operators as well as the associated influence to a network solution provider customer in the year, our revenue from base station RF subsystems in 2011 declined by approximately 16.2% to approximately RMB472.2 million.

Affected by the restructuring of the business of Nokia Siemens Networks, revenue from it declined substantially by approximately 50.3% to RMB126 million. However, revenue from Alcatel-Lucent increased sharply by 44.9% to RMB178 million. Affected by the PRC market, revenue from domestic equipment manufacturer customers decreased by approximately 18.7% to RMB257 million. Meanwhile, bulk sales of the Group's RF subsystems were first made to customers in North America and some LTE products passed the tests conducted by customers and orders were received. The Group believes these LTE products will be used in LTE network building in North America and Japan. The Group believes a diversified customer base and the development of high-end products will help increase the performance growth and profitability of the Group's RF subsystem products.

Coverage extension solution

Affected by the postponement of network building by domestic operators, revenue from the Company's coverage extension solutions also declined by approximately 39.9% to approximately RMB77.88 million in 2011. Revenue from aesthetic antennae declined by approximately 17% to RMB31.43 million. Revenue from electric cables, indoor antenna and other products decreased by approximately 49.3% to RMB46.46 million.

Customers

As discussed above, the significant deferral of procurement by PRC network operators 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 RMB166.9 million as compared to RMB302.6 million in 2010.

Affected by the PRC market, revenue from ZTE Corporation ("ZTE") also dropped by approximately 18.7% to RMB257 million. This decrease was substantially lower than the decline in demand from PRC network operators because its overseas business development offset its weak domestic market demand.

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. Despite a sharp decline in revenue from Nokia Siemens Networks due to the restructuring of its business, revenue from Alcatel-Lucent and other customers increased by 44.9% and 50.4% to RMB178 million and RMB70.41 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 2011, we recorded an approximately 16.8% decrease of gross profit to approximately RMB212.1 million (2010: RMB 255 million) and gross profit margin was increased from 24.5% in 2010 to 26.6% in this year. It was primarily due to reduced domestic market demand and the increased percentage of demand from the international market, resulting in an increase in revenue from products with higher profit margins of the Group such as multi-frequency multi-system products and WCDMA products. Meanwhile, the Group stepped up its efforts in integrating upstream industrial chains, which also helped reduce the procurement costs and increase the gross profit margin.

The gross profit margin of antenna products of the Company was 28.1%, basically approximating that in 2010. The gross profit margin of RF subsystem products rebounded from 23.0% to 24.5%. And because of the increased percentage of the sales of aesthetic antenna with a high gross profit margin, the gross profit margin of coverage extension increased from 13.8% to 37.8%.

Other income

Other income increased to approximately RMB14.23 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 increased from approximately RMB47.53 million in 2010 to approximately RMB55.04 million in 2011. It was primarily due to the increase of staff cost as a result of increased average headcount for business expansion. The Company underwent the restructuring of its organizational structure in 2011. The aesthetic antenna division was transferred to the market system to better meet the needs of operator customers, which also led to an increase in distribution and selling expenses.

Administrative expenses

Administrative expenses decreased slightly by 0.2% from approximately RMB80.91 million in 2010 to approximately RMB80.78 million in 2011. This was attributed to increased administrative expenses as a result of the reinforcement of cost management by the Company; business growth led to the increase of headcount, wage rate and related statutory obligations; and increased depreciation charge and maintenance expenses, which were offset by a substantial decline in exchange loss, business and office expenditure.

Research and development costs

During the year, the Group recognised approximately RMB10.39 million development cost as intangible assets. After the capitalization, research and development costs increased from approximately RMB37.1 million in 2010 to approximately RMB37.6 million in 2011. It was mainly attributable to the increased material costs and testing fees for development projects tailor-made for customers and increased depreciation charge arising from new equipment.

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 substantially from approximately RMB3.5 million in 2010 to approximately RMB60,000 in 2011.

Profit before taxation

Profit before taxation decreased by approximately 46.5% to approximately RMB53 million (2010: RMB99 million). Net profit margin before tax charge reduced from approximately 9.5% in 2010 to 6.6% in 2011.

Income tax expenses

Income tax expenses reduced from approximately RMB14.9 million in 2010 to RMB10.54 million in 2011. Effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 19.9% and 15.0% for 2011 and 2010, respectively.

Profit for the year

Profit for the year 2011 decreased by approximately 49.6% to RMB42.36 million (2010: RMB84.1 million). Our net profit margin was approximately 5.3% in 2011, compared to 8.1% in 2010. To conclude, decrease in our net profit margin was due to a decrease in the Group's revenue level caused by the cancellation of network building by PRC operators and the fluctuations in operations of European customers.

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 2011, our sales to these overseas customers increased considerably. And in 2011, the Group entered into a framework procurement agreement with a leading network operator, making the Group one of its three providers for the procurement of antennae on a global scale over the next three years, which further enhanced the recognition of our brandname. In addition, the Group has received orders for LTE products and projects for the development of various new products have been established. 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 and the development of 3G network, 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.

In addition, the Group has comprehensive channel and technological advantages in the TD-LTE technology cooperation with international and domestic equipment manufacturer customers. This enabled the Group to participate in more than half the pilot cities in the TD-LTE testing by China Mobile in 2011. The Group believe during the 4G construction period, the Group will have the opportunity to derive considerable returns.

Products

In 2011, 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 2011. Various antenna products of the Group passed certification tests of international wireless network solution providers customers, including base station antennas which passed the tests of European network operators with the entering into of global framework procurement agreements. 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, both of our CDMA and LTE RF subsystem products passed certification tests and secured orders from the North American customers in 2011. 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 tower 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.

As far as TD-LTE is concerned, the Group is one of the technology providers with leading TD-LTE antenna and RF subsystem product technologies in the world. The Group not only participated in pilot tests carried out in most cities by China Mobile in 2011 but also closely cooperates with the majority of leading system equipment manufacturer customers in the world. The Group believes by providing professional TD-LTE technology support to these customers, the Group will be able to consistently maintain the industry-leading level in its TD-LTE technology and benefit considerably from the building of 4G networks.

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 2011, the Group had net current assets of approximately RMB802.7 million (2010: RMB837.6 million) including inventories of approximately RMB326.9 million (2010: RMB307.9 million), trade and notes receivable of approximately RMB689.9 million (2010: RMB698.7 million) and trade and notes payable of approximately RMB444.1 million (2010: RMB585.6 million).

The Group maintained an effective management of its working capital. For the year ended 31 December 2011, average inventories turnover, average receivables turnover and average payables turnover are approximately 198 days (2010: 145 days), 318 days (2010: 216 days) and 321 days (2010: 247 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 2011, the Group recorded a pledged bank balances of approximately RMB5.74 million (2010: RMB13 million), cash and bank balances of approximately RMB300.1 million (2010: RMB437.8 million) and recorded bank borrowings of approximately RMB45.21 million (2010: Nil). The current ratio (current assets divided by current liabilities) increased to approximately 2.34 times as at 31 December 2011 from 2.28 times as at 31 December 2010. The gearing ratio (bank borrowings divided by total assets) was 2.7% as compared with a gearing ratio of approximately 0% as at 31 December 2010. 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 2011, HKD equivalent of approximately RMB2.06 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 2011, the Company has already applied approximately RMB278 million in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 December 2009 (the "Prospectus"):

— Approximately RMB65 million, RMB38 million, RMB39 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 RMB81 million was applied to finance our research and development efforts in Shenzhen, Jian and 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 2011, the Group had approximately 2,197 staff. The total staff costs amounted to approximately RMB146 million for the year ended 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 31 December 2011, bank balances of approximately RMB5.74 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

As of 31 December 2011, a total amount of 134,000 shares of the Company had been repurchased at prices ranging from HK$0.80 per share to HK$0.85 per share by the Company via the Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company had subsequently cancelled all the shares repurchased as of 31 December 2011. Save as mentioned above, neither the Company nor the Company or any of its subsidiaries had purchased or sold any of the Company's listed securities during the current year.

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 2011 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 2011 (the "2011 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 independent 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 2011, the internal control and the risk management system. The Group's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 22 March 2012 with its terms of reference established as recommended by the Code on Corporate Governance Practices. The Nomination Committee consists of five members, namely Mr. Li Tianshu, Mr. Zhang Han, Mr. Bao Fan, Mr. Yang Dong and Mr. Hu Xiang. Among them, Mr. Li Tianshu, Mr. Zhang Han, Mr. Bao Fan are independent non-executive Directors, Mr. Yang Dong is a non-executive Director and Mr. Hu Xiang is the Chairman of the board and an executive Director. The Chairman of the Nomination Committee is Mr. Hu Xiang.

The main duty of the Nomination Committee is, inter alia, to consider and recommend to the Board suitable and qualified persons to become members of the Board. The Nomination Committee is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required.

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 and a special dividend of HK$0.01 per share out of distributable reserve of the Company in respect of the year ended 31 December 2011. 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 2012 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 2011 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 2011 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 2012

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. LAI Yongxiang, 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.