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 2012

- Revenue decreased to approximately RMB342.8 million, representing a decrease of approximately 21.9%.
- Gross profit margin increased from approximately 21.9% in the first half of 2011 to approximately 22.6% in the first half of 2012.
- Profit attributable to owners of the Company was approximately RMB14.33 million, representing a decrease of approximately 48.5%.
- Basic earnings per share for the six months ended 30 June 2012 was approximately RMB1.80 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 2012 together with the comparative figures for the corresponding period in 2011. 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 2012

	Notes	**For the six months ended 30 June** **2012** **(Unaudited)** **RMB'000**	2011 (Unaudited) RMB'000
Revenue	3	**342,833**	439,185
Cost of sales		**(265,206)**	(343,184)
Gross profit		**77,627**	96,001
Other income	3	**7,581**	8,290
Research and development costs		**(14,926)**	(13,725)
Distribution and selling expenses		**(18,074)**	(21,130)
Administrative expenses		**(35,425)**	(35,152)
Finance costs	4	**(161)**	—
Profit before taxation		**16,622**	34,284
Income tax expense	5	**(2,297)**	(6,477)
Profit and the total comprehensive income for the period attributable to owners of the Company	6	**14,325**	27,807
Earnings per share			
– basic (RMB cents)	8	**1.80**	3.49
– diluted (RMB cents)	8	**1.75**	3.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**199,379**	203,532
Deposits for purchase of plant and equipment		**27,370**	24,818
Prepaid lease payments		**30,233**	20,239
Deferred tax assets		**6,988**	6,063
Intangible assets		**15,857**	13,481
		279,827	268,133
Current assets			
Inventories		**315,484**	326,881
Trade receivables	9	**561,908**	469,117
Notes receivable		**99,752**	220,796
Prepayments, deposits and other receivables		**96,265**	77,923
Pledged bank balances		**4,511**	5,738
Bank balances and cash		**244,118**	300,112
		1,322,038	1,400,567
Current liabilities			
Trade payables	10	**320,147**	319,064
Notes payable		**73,107**	125,073
Other payables and accruals		**108,073**	96,449
Tax payable		**2,722**	10,862
Bank borrowings		**12,650**	45,209
		516,699	596,657
Net current assets		**805,339**	803,910
Total assets less current liabilities		**1,085,166**	1,072,043
Non-current liabilities			
Deferred income		**3,849**	4,421
Net assets		**1,081,317**	1,067,622
Capital and reserves			
Issued capital		**6**	6
Reserves		**1,081,311**	1,067,616
Equity attributable to owners of the Company		**1,081,317**	1,067,622

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 2011.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 Financial Instruments: Disclsures – Transfers of Financial Assets; and

- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets.

The directors of the Company anticipate that the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these 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 2011 and 2012. 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 subsystem 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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	**175,816**	124,512
Base station RF subsystem	**139,147**	268,516
Coverage extension solution	**27,870**	46,157
	342,833	439,185
Segment results		
Antenna system	**41,309**	23,779
Base station RF subsystem	**14,604**	48,361
Coverage extension solution	**6,788**	10,136
	62,701	82,276
Reconciliation of segment results to profit before taxation:		
Other income	**7,581**	8,290
Other expenses	**(53,499)**	(56,282)
Finance costs	**(161)**	—
Profit before taxation	**16,622**	34,284

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segement information		
Depreciation:		
Antenna system	**2,164**	2,352
Base station RF subsystem	**5,455**	5,088
Coverage extension solution	**634**	873
Segment total	**8,253**	8,313
Unallocated amount	**3,047**	2,669
Group total	**11,300**	10,982
Research and development costs:		
Antenna system	**6,704**	5,171
Base station RF subsystem	**6,657**	6,451
Coverage extension solution	**1,565**	2,103
Group total	**14,926**	13,725

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2011 and 2012.

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 2011. 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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Antenna system		
CDMA/GSM fixed-downtilt antennas[(1)]	**42,197**	24,877
CDMA/GSM remote electric-downtilt antennas[(1)]	**26,516**	13,505
W-CDMA antennas[(3)]	**37,090**	30,631
TD-SCDMA antennas[(3)]	**7,345**	9,079
Multi-band/Multi-system antennas[(1)]	**30,125**	29,357
Microwave antennas	**3,124**	4,114
Other antennas	**29,419**	12,949
	175,816	124,512
Base station RF subsystem		
CDMA 2000 RF devices[(3)]	**9,730**	7,142
CDMA RF devices[(2)]	**9,150**	9,959
GSM RF devices[(2)]	**65,422**	215,221
TD-SCDMA RF devices[(3)]	**1,568**	6,222
W-CDMA RF devices[(3)]	**30,632**	15,550
Other devices	**22,645**	14,422
	139,147	268,516
Coverage extension solution		
In-door antennas	**112**	199
Aesthetic antennas[(1)]	**23,272**	26,112
Other products	**1,302**	13,621
Electric cables	**3,184**	6,225
	27,870	46,157
	342,833	439,185

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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A[1]	**97,502**	130,250
Customer B[3]	**82,365**	50,870
Customer C[3]	**48,100**	48,644
Customer D[2]	**43,994**	74,891

[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 Japan and Finland). 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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	**289,851**	388,556
Overseas		
Japan	**21,848**	9
Finland	**8,753**	25,329
Others	**22,381**	25,291
Subtotal	**52,982**	50,629
	342,833	439,185

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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF subsystems and products of coverage extension solution	**342,833**	439,185
Other income		
Government grants	**3,950**	4,678
Compensation income	**509**	695
Interest income	**3,101**	2,859
Others	**21**	58
	7,581	8,290

4. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings		
- wholly repayable within five years	**161**	—

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	**3,222**	5,974
Deferred tax	**(925)**	503
	2,297	6,477

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 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 six months ended 30 June 2011 and 2012. 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 year ended 31 December 2010. The tax rate for MOBI Jian is 25% for the six months ended 30 June 2012.

The applicable tax rate of MOBI Technologies (Xian) Co., Ltd. is 25% for the six months ended 30 June 2012.

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 (crediting) the following items:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**11,300**	10,982
Amortization of prepaid lease payments	**330**	217
Cost of inventories recognised as expenses	**263,008**	341,676
Net exchange (gain)/loss	**(104)**	3,672

7. DIVIDENDS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2010 final dividend of HK$0.02 per ordinary share	**—**	13,272
2011 final dividend of HK$0.02 per ordinary share and special dividend of HK$0.01 per ordinary share	**19,509**	—
	19,509	13,272

At the board meeting held on 28 August 2012, the directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2012.

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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period and attributable to owners of the Company	**14,325**	27,807
Earnings for purpose of basic earnings per share	**14,325**	27,807
Earnings for purpose of diluted earnings per share	**14,325**	27,807

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**798,054**	797,754
Effect of dilutive potential ordinary shares		
- 2003 share options	**11,847**	12,126
- 2005 share options	**10,110**	10,487
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**820,011**	820,367

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 240 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 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
0 to 30 days	**103,975**	207,131
31 to 60 days	**77,235**	42,154
61 to 90 days	**32,014**	17,525
91 to 120 days	**25,148**	27,290
121 to 180 days	**77,651**	44,993
Over 180 days	**245,885**	130,024
	561,908	469,117

10. TRADE PAYABLES

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
0 to 30 days	**39,149**	32,450
31 to 60 days	**40,261**	36,483
61 to 90 days	**44,860**	25,742
91 to 180 days	**94,292**	99,264
Over 180 days	**101,585**	125,125
	320,147	319,064

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2012 amounted to approximately RMB342.8 million, representing a decrease of 21.9% as compared with RMB439.1 million in the corresponding period of 2011. Sales of antenna system increased by approximately 41.2% to approximately RMB175.8 million. Whereas, sales of base station RF subsystem and products of coverage extension solution decreased by approximately 48.2% and 39.6% to approximately RMB139.1 million and RMB27.87 million, respectively. Revenue from products of dual/multiple and 3G usage increased by approximately 35.8% to approximately RMB185.2 million when compared with the corresponding period of 2011.

Antenna system

The Group's products of antenna system are primarily sold to domestic network operators and 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.

Revenue from sales of products of antenna system increased by 41.2% to approximately RMB175.8 million as compared with the corresponding period of 2011. Of which revenue from our GSM/CDMA antenna increased significantly by 79.0% to approximately RMB68.71 million as compared with the corresponding period of 2011. In the second half of 2011, the Group began to enter the Japanese market and successfully secured orders of antennas as the technologies and workmanship of our products were well received by customers. During the first half of 2012, sales of products of antenna system to Japan increased significantly compared with 2011 and accounted for 6% of the sales of the Company up to the second half of 2012. Meanwhile, through system equipment manufacturers, the Group received from Indian operators such as BSNL bulk purchase orders of antennas for turn-key projects, the delivery of part of which was completed in the first half of the year. At the same time, the demand of domestic operators recovered. The Group occupied a leading supply share. Besides, as procurement tender for the previous year was postponed to the end of the year, the delivery of some orders were postponed to the first half of 2012. All these drove the growth of revenue from antenna system products in the first half of 2012. In addition, revenue from products of dual/multiple and 3G usage of the Group increased approximately 35.8% over the corresponding period of 2011 to approximately RMB185.2 million. 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 operators has demonstrated periodical fluctuation in recent years, with the volume acquired generally being higher in the second than the first half of the year. Overseas projects are also expected to begin delivery in the second half of 2012. Therefore, it is expected that products of antenna systems will continue to see positive growth.

Base station RF subsystem

Procurement and demand for the Group's products from European customers (such as Nokia Siemens) reduced substantially due to continued instability of European economy. For the six months ended 30 June 2012, revenue from base station RF subsystem products decreased approximately 48.2% to approximately RMB139.1 million as compared with the corresponding period of 2011.

For the six months ended 30 June 2012, revenue from base station RF subsystem products for 3G usage increased by 45.0% to approximately RMB41.93 million as compared with the corresponding period last year. Whereas, revenue from base station RF subsystem products for 2G usage recorded significant decrease of 66.9% to RMB74.57 million as compared with the corresponding period of 2011. With reduced demand and increased competition, the price of conventional products also declined, resulting in reduced gross profit margin of RF subsystems.

Meanwhile, the Group won various R&D projects for TD-LTE RF subsystems from global major systems equipment providers such as Ericsson, Nokia Siemens, Alcatel-Lucent and ZTE Corporation. The Group believes that diversified customers and development of high-end products will facilitate growth of market share, performance and profitability of the Group's RF subsystem products in the LTE era.

Coverage extension solution

The Group dedicate to achieve a balanced portfolio of products. During the first half of 2012, revenue from the coverage extension solution decreased by 39.6% as compared with the corresponding period of 2011. Of which revenue from other products recorded a significant decrease of approximately 90.4% to approximately RMB1.30 million. The Group slightly reduced approximately 10.9% sales of aesthetic antennas products to overseas markets, and aesthetic antennas recorded sales of approximately RMB23.27 million in the first half of 2012. However, aesthetic antenna projects whose delivery was initiated by the Company in the first half of 2012 increased by almost 100% as compared to the same period of the previous year. It is anticipated the delivery of most projects will be completed in the second half of 2012.

Customers

During the first half of 2012, sales to the PRC network operator China Mobile Communication Corporation remained basically the same as the corresponding period last year, at RMB48.1 million; while sales to China Unicom Telecommunications Corporation and China Telecommunications Corporation increased by approximately 61.9% and 42.6% to approximately RMB82.37 million and RMB10.24 million, respectively as compared with the first half of 2011. Because of business competition and the enhancement of network quality, the network construction demand of domestic operators increased as compared to the previous year. Particularly in the 3G and TD-LTE sectors, the Group is expected to achieve further revenue growth from it.

We are committed to providing quality and sophisticated products and building long-term relationships with our customers. With the combined advantages in technologies and pricing, the Group managed to maintain stable supply relationship with a number of network solution provider customers. However, affected by the global macroeconomy, various overseas operators reduced capital expenditure, leading to a decline in the business of various customers of the Company. This was particularly obvious for the European market. During the first half of 2012, sales to ZTE Corporation and Alcatel-Lucent decreased by approximately 25.0% and 41.3% to approximately RMB97.50 million and RMB43.99 million, respectively as compared with the corresponding period of 2011. Being affected by the business restructuring of Nokia Siemens, sales to the same decreased by approximately 86.7% to approximately RMB12.72 million as compared with the corresponding period last year.

Gross Profit

Our gross profit reduced by approximately RMB18.37 million or 19.1% from approximately RMB96.00 million in the first half of 2011 to approximately RMB77.63 million in the first half of 2012.

During the six months ended 30 June 2012, our overall gross profit margin was 22.6%, which represented a slight increase as compared with 21.9% of the corresponding period last year. Increased sales of aesthetic antennas and antennas for overseas projects have driven the increase in gross profit margin of the Group in the first half of 2012. However, the increase was partially offset by reduced demand from network solution providers, intensified competition among the vendors in the PRC, and increased cost.

Due to rising proportion of antenna for 3G usage sold to domestic network operator customers and growth of sales of antennas to overseas projects, the gross profit margin of antenna system products increased from 23.6% in the corresponding period of 2011 to 27.9% in 2012. We expect the gross profit margin of antenna system products to increase in the second half of the year as the proportion of 3G and TD-LTE increases further and sales in overseas markets grow.

Being affected by decreasing demand of network solution provider customers, intensified competition among vendors in the PRC and demand from European customers for certain products which are at the end of their life cycles, the gross profit margin of our base station RF subsystem decreased from 20.8% in the corresponding period of 2011 to 15.9% in 2012. The delivery of various new product projects to European customers will see an increase in 2012. It is anticipated the overall switch will be completed in 2013. We expect that the gross profit margin will be lifted with increased production of new products for network solution provider customers, rising proportion of 3G and 4G usage products as well as strengthened transfer of production to the mainland and investment in vertical integration of internal supply (such as die casting, machining and plating) in the second half of 2012.

Other Income

Other income decreased to approximately RMB7.58 million, which was mainly attributable to the decreased government subsidy received by the Group.

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB 21.13 million in the first half of 2011 to RMB18.07 million in the first half of 2012, which was primarily attributable to the decrease in the sales of base station RF subsystem products resulting in the decrease in the transportation and logistics cost. Furthermore, decreases in sales of coverage extension solution products attribute to lowered communication costs, transportation costs and agency fees. The reductions made to operating and travel expenses also correspond to lower overall distribution and selling expenses.

Administrative Expenses

Administrative expenses increased slightly by approximately RMB0.28 million from approximately RMB 35.15 million in the first half of 2011 to approximately RMB35.43 million in 2012 of the same period. The reasons included: (1) corresponding increase in the cost of wages and wage surcharges of the Group; (2) increase in welfare expenses, housing fund expenses and maintenance expenses. Save as the aforesaid, expenses was partly offset by the decreased business charges, audit charges, advisory and consultation charges and decreased exchange losses.

Research and Development Costs

For the six months ended 30 June 2012, the Group recognised development cost of approximately RMB5.61 million as capitalization expenses. After the capitalization, research and development costs increased by approximately RMB1.20 million from approximately RMB13.73 million in the first half of 2011 to approximately RMB14.93 million in the first half of 2012. The increase was mainly attributable to the increased wages and wage surcharges.

Finance Costs

Finance costs increased from zero in the first half of 2011 to approximately RMB0.161 million in the first half of 2012.

Profit Before Taxation

Profit before taxation decreased by approximately RMB17.66 million, or approximately 51.5%, from approximately RMB34.28 million in the first half of 2011 to approximately RMB16.62 in the first half of 2012. Net profit margin before tax charges reduced from approximately 7.8% in 2011 to approximately 4.8% in 2012.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB4.18 million from approximately RMB6.48 million in 2011 to approximately RMB2.30 million in 2012. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 13.8% and 18.9% for 2012 and 2011, respectively.

Profit for the reporting period

Profit for the first half of 2012 decreased by 48.5%, from approximately RMB27.81 million for the corresponding period in 2011 to approximately RMB14.33 million. Our net profit margin was approximately 4.2%, compared to 6.3% for the corresponding period in 2011. The decrease in our net profit margin was the result from increased research and development costs and administrative expenses.

FUTURE PROSPECTS

In the future, the Group will further develop both 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 economic condition, 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 greater extent. The Group will further improve its development strategy for overseas markets and international business.

Sales of the Group to domestic and major international network solution providers maintained favorable shares during the first half of 2012. The Group believes that these customers are leading global network solution providers with significant scale of business. The Group believes that we will record continuous revenue growth in the future with mounting delivery of new products to these customers in the second half of 2012.

Meanwhile, the Group believes that PRC network operators will scale up their central bidding procurement process in the second half of 2012, resulting in significantly increased demands for our products from domestic network operators and network solution providers in the second half of 2012. The Group is confident in its annual results of operation for 2012.

Products

For antenna systems, sales of antenna systems of the Group recorded growth during the first half of 2012 following recovery of overseas markets such as Japan, India. Moreover, there are huge potential for demand from international market which are currently still dominated by overseas brands. The Group has been focusing on improving the technology content of our products to meet the needs of international customers. In the second half of 2012, the Group will strengthen delivery to the global network for European operators such as Telenor, and we expect there are still rooms for growth of demand from overseas projects in the future.

The technology of antenna products are evolving rapidly around the world at present. Integration and multi-system station is the trend of development. The multi-frequencies and multi-systems antenna products developed by the Group encompass a series of products which have passed the tests by and received positive recognition from international customers in network construction. On the other hand, the Group has been cooperating with customers to develop TD-LTE and FDD-LTE antennas. It is believed that the new products will bring more business to the Group in the LTE era.

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. In the second half of 2012, delivery of new RF subsystem products to international network solution providers will mount and domestic network construction will enter the peak of delivery. The Group is fully optimistic of its growth for the whole of 2012 and beyond.

In respect of coverage extension products, the optimisation and improvement of 3G network construction will stimulate the demand for 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 Company will continue to optimise its 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 2012, the Group had net current assets of approximately RMB805.3 million (31 December 2011: RMB803.9 million) including inventories of RMB315.5 million (31 December 2011: RMB326.9 million), trade and notes receivables of approximately RMB661.7 million (31 December 2011: RMB689.9 million) and trade and notes payables of approximately RMB393.3 million (31 December 2011: RMB444.1 million).

For the six months ended 30 June 2012, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 223 days (six months ended 30 June 2011: 176 days), 360 days (six months ended 30 June 2011: 286 days) and 291 days (six months ended 30 June 2011: 294 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 2012, the Group pledged bank balance with a value of approximately RMB4.51 million to the bank (31 December 2011: RMB5.74 million), cash and bank balances of approximately RMB244.1 million (31 December 2011: RMB300.1 million) and recorded short term bank borrowing of approximately RMB12.65 million (31 December 2011: RMB42.51 million). The current ratio (current assets divided by current liabilities) increased to approximately 2.6 times as at 30 June 2012 from approximately 2.3 times as at 31 December 2011. The gearing ratio (bank borrowings divided by total assets) was approximately 0.8%, whereas the gearing ratio as at 31 December 2011 was approximately 2.7%.

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 2012, the Company has already applied approximately RMB299 million in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 December 2009 (the "Prospectus"):

— Approximately RMB77 million, RMB38 million, RMB48 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 30 June 2012, the Group had approximately 2,500 staff. The total staff costs amounted to approximately RMB65.99 million for the six months ended 30 June 2012. 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 2012, bank balances of approximately RMB4.51 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2012, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB17.95 million. The Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2012, a total amount of 1,032,000 shares of the Company had been repurchased at prices ranging from HK$0.84 per share to HK$1.02 per share by the Company via the Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company had subsequently cancelled 947,000 shares repurchased during the six months ended 30 June 2012. The remaining 85,000 shares repurchased were cancelled in July 2012. 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 six months ended 30 June 2012.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

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 2012 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 2012.

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 2012 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 2012 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 2012 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, 28 August 2012

As at the date of this announcement, the executive directors of the Company are Mr. Hu Xiang and Mr. Shao Zhiguo; 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.