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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 2012

- Revenue decreased to approximately RMB687.76 million, representing an decrease of approximately 13.8%
- Gross profit margin decreased from approximately 26.6% in 2011 to approximately 16.8% in 2012
- Loss attributable to owners of the Company was approximately RMB39.47 million, representing a decrease of approximately 193.2%
- Basic loss per share for the year was approximately RMB4.94 cents
- Do not recommend any payments of final dividend

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 2012.

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
Revenue	3	**687,764**	798,060
Cost of sales		**(572,047)**	(585,919)
Gross profit		**115,717**	212,141
Other income	4	**13,516**	14,232
Research and development costs		**(47,567)**	(37,591)
Distribution and selling expenses		**(47,869)**	(55,041)
Administrative expenses		**(76,071)**	(80,784)
Finance costs	5	**(1,005)**	(58)
(Loss) profit before taxation		**(43,279)**	52,899
Taxation	6	**3,807**	(10,541)
(Loss) profit and the total comprehensive (expense) income for the year attributable to owners of the Company	7	**(39,472)**	42,358
(Loss) earnings per share			
– basic (RMB cents)	9	**(4.94)**	5.31
– diluted (RMB cents)	9	**(4.94)**	5.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current Assets			
Property, plant and equipment		**231,532**	203,532
Deposits for purchase of plant and equipment		**3,946**	24,818
Prepaid lease payments		**29,697**	20,239
Deferred tax assets		**12,830**	6,063
Intangible assets		**19,663**	13,481
		297,668	268,133
Current Assets			
Inventories		**282,925**	326,881
Trade and other receivables	10	**704,895**	764,035
Tax recoverable		**314**	3,348
Prepaid lease payments		**659**	453
Pledged bank balances		**4,197**	5,738
Bank balances and cash		**264,392**	300,112
		1,257,382	1,400,567
Current Liabilities			
Trade and other payables	11	**482,270**	539,887
Dividend payable		**698**	699
Tax payable		**–**	10,862
Bank borrowings		**54,360**	45,209
		537,328	596,657
Net Current Assets		**720,054**	803,910
Total Assets less Current Liabilities		**1,017,722**	1,072,043
Non-current Liability			
Deferred income		**6,712**	4,421
Net Assets		**1,011,010**	1,067,622
Capital and Reserves			
Issued capital		**6**	6
Reserves		**1,011,004**	1,067,616
Equity attributable to owners of the Company		**1,011,010**	1,067,622

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, the 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") are 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to Hong Kong Accounting Standard ("HKAS") 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the application of the amendments to 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.

Amendments to HKFRS 7 Disclosures - Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures - Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain notes receivable. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the notes receivable are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these notes receivable, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured bank borrowing. The relevant disclosures have been made regarding the transfer of these notes receivables on application of the amendments to HKFRS 7 (see note 10). In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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 HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012

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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

	2012	2011
	RMB'000	RMB'000
Segment revenues		
Antenna system	**271,311**	248,025
Base station RF subsystem	**284,496**	472,151
Coverage extension solution	**131,957**	77,884
	687,764	798,060
Segment results		
Antenna system	**42,035**	54,711
Base station RF subsystem	**19,401**	94,191
Coverage extension solution	**6,714**	25,648
Reconciliation of segment results to (loss) profit before taxation:	**68,150**	174,550
Other income	**13,516**	14,232
Unallocated expenses	**(123,940)**	(135,825)
Finance costs	**(1,005)**	(58)
(Loss) profit before taxation	**(43,279)**	52,899
Other segment information		
Depreciation:		
Antenna system	**4,737**	4,479
Base station RF subsystem	**4,967**	8,527
Coverage extension solution	**2,304**	1,407
Segment total (note)	**12,008**	14,413
Unallocated amount	**10,762**	8,543
Group total	**22,770**	22,956
Research and development costs:		
Antenna system	**21,529**	13,597
Base station RF subsystem	**23,009**	19,505
Coverage extension solution	**3,029**	4,489
Group total (note)	**47,567**	37,591

Note: Amounts included in the measure of segment results

	2012	2011
	RMB'000	RMB'000
Amortisation of intangible assets:		
Antenna system	**1,469**	809
Base station RF subsystem	**2,516**	851
Group total	**3,985**	1,660

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the two years ended 31 December 2012.

The Group does not allocate other income, distribution and selling expenses, administrative expenses, finance costs and income tax expense to individual reportable and operating 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:

	2012	2011
	RMB'000	RMB'000
Antenna system		
CDMA/GSM antennas	**82,608**	70,054
W-CDMA antennas	**42,532**	73,556
TD-SCDMA antennas	**18,297**	12,616
Multi-band/Multi-system antennas	**77,778**	52,423
Microwave antennas	**10,567**	14,077
Other antennas	**39,529**	25,299
	271,311	248,025
Base station RF subsystem		
CDMA 2000 RF devices	**11,475**	12,836
CDMA RF devices	**14,734**	21,409
GSM RF devices	**140,191**	370,355
TD-SCDMA RF devices	**27,172**	13,394
W-CDMA RF devices	**57,801**	34,325
Other devices	**33,123**	19,832
	284,496	472,151

Entity-wide disclosures - continued

Information about products - continued

	2012	2011
	RMB'000	RMB'000
Coverage extension solution		
In-door antennas	**457**	697
Aesthetic antennas	**23,851**	31,428
Electric cables	**75,005**	14,502
Other products	**32,644**	31,257
	131,957	77,884
	687,764	798,060

Information about major customers

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

	2012	2011
	RMB'000	RMB'000
Customer A[1]	**263,765**	256,552
Customer B[2]	**140,559**	72,039
Customer C[2]	**95,545**	86,310
Customer D[3]	**66,635**	176,945
Customer E[3]	**41,359**	126,057

1 revenue from antenna system, base station RF subsystem and coverage extension solution

2 revenue from antenna system

3 revenue from base station RF subsystem

Entity-wide disclosures - continued

Geographical information

Information about the Group's revenue from external customers is presented based on the location where the goods are delivered to:

	2012	2011
	RMB'000	RMB'000
PRC	**623,311**	683,327
Overseas		
Thailand	**23,862**	99
India	**10,736**	235
Mexico	**3,798**	41,832
Finland	**1,872**	37,243
Others	**24,185**	35,324
Subtotal	**64,453**	114,733
	687,764	798,060

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

4. OTHER INCOME

	2012	2011
	RMB'000	RMB'000
Government grants		
- related to expense items (note a)	**5,849**	4,159
- related to assets	**1,209**	1,258
Compensation income	**579**	1,207
Interest income from bank deposit	**1,624**	3,195
Investment income from structured deposit (note b)	**3,849**	4,238
Others	**406**	175
	13,516	14,232

Note:

(a) The amount mainly represents government grants received from the PRC tax bureau to encourage the Group's continuous development, and the amounts are based on value-added tax previously paid and recognised in the profit or loss. No specific conditions have been required to be met.

(b) The amount represents investment income from short-term structured deposits with banks, which carry variable returns based on the return of portfolios of debt or equity investments as invested by banks.

5. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on bank borrowings		
- wholly repayable within five years	**1,005**	58

6. TAXATION

	2012 RMB'000	2011 RMB'000
Current year:		
PRC Enterprise Income Tax ("EIT")	**2,960**	10,947
Deferred tax	**(6,767)**	(406)
	(3,807)	10,541

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 摩比科技（香港）有限公司 MOBI Technology (Hong Kong) Limited ("MOBI HK") is 16.5%. In 2012, no Hong Kong Profit Tax is payable on the profit for the year arising in Hong Kong since the assessable profit of MOBI HK is wholly absorbed by tax losses brought forward. In 2011, no provision for Hong Kong Profits Tax was made in the consolidated financial statements as MOBI HK had no assessable profits.

PRC

The applicable tax rate of 摩比通訊技術（吉安）有限公司 MOBI Telecommunication Technologies (Ji An) Co., Ltd. ("MOBI Jian") and 摩比科技（西安）有限公司 MOBI Technologies (Xi An) Co., Ltd. ("MOBI Xian") are 25% (2011: 25%) for the year ended 31 December 2012.

In 2008, 摩比天綫技術（深圳）有限公司 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 2012 and 2011.

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

		2012	2011
		RMB'000	RMB'000
(Loss) profit before taxation		**(43,279)**	52,899
Tax at PRC EIT at 15%	(a)	**(6,492)**	7,935
Tax effect of expenses not deductible for tax purpose		**1,825**	2,013
Tax effect of income not taxable for tax purpose		**(181)**	(189)
Tax benefit	(b)	**(1,074)**	(2,206)
Tax effect of tax losses not recognised		**1,531**	1,329
Utilisations of tax losses previously not recognised		**(99)**	–
Effect of different tax rates of group entities		**683**	1,659
		(3,807)	10,541

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 for certain PRC subsidiaries 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. **(LOSS) PROFIT AND THE TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY**

(Loss) profit and the total comprehensive (expense) income for the year has been arrived at after charging (crediting) the following items:

	2012	2011
	RMB'000	RMB'000
Directors' remuneration	**2,890**	2,481
Retirement benefits scheme contributions	**9,450**	6,986
Other staff costs (a)	**133,479**	136,249
	145,819	145,716
Auditors' remuneration	**1,701**	1,587
Operating lease rentals in respect of		
- prepaid lease payments	**659**	453
- rented premises	**10,044**	9,431
Depreciation of property, plant and equipment	**22,770**	22,956
Amortisation of intangible assets	**3,985**	1,660
Cost of inventories recognised as expenses	**572,047**	585,919
Write-down on inventories	**1,555**	415
Gain on disposals of property, plant and equipment	**(22)**	(19)
Allowance for doubtful debts	**204**	568
Net exchange (gain) loss	**(147)**	7,249

Note:

(a) Included in other staff costs is approximately RMB3,326,000 (2011: RMB2,514,000), which represents the rental expense for the staff quarter for the year ended 31 December 2012.

8. **DIVIDENDS**

	2012	2011
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2011 final dividend of HKD0.02 and special dividend of HKD0.01 (2011: 2010 final dividend of HKD0.02) per ordinary share	**19,509**	13,272

No final dividend for 2012 was proposed and recommended by the directors. The final dividend of HKD0.02 per share and special dividend of HKD0.01 per share in respect of the year ended 31 December 2011 was approved by the shareholders in the 2011 annual general meeting on 25 May 2012.

9. (LOSS) EARNINGS PER SHARE

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

	2012	2011
	RMB'000	RMB'000
(Loss) earnings		
(Loss) profit for the year and attributable to owners of the Company and (loss) earnings for purpose of basic and diluted (loss) earnings per share	**(39,472)**	42,358

	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**799,624**	797,424
Effect of dilutive potential ordinary shares		
- 2003 share options	**–**	9,254
- 2005 share options	**–**	5,614
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**799,624**	812,292

For 2012, the diluted loss per share did not take into account the assumed exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**483,547**	471,056
Less: allowance for doubtful debts	**(2,143)**	(1,939)
	481,404	469,117
Notes and bills receivable	**156,171**	220,796
Rental and utility deposits	**2,917**	2,896
Advance to suppliers	**4,276**	9,319
Value added tax receivable	**42,683**	45,792
Other receivables and deposits	**17,444**	16,115
	704,895	764,035

Movement in the allowance for doubtful debts

	2012 RMB'000	2011 RMB'000
Balance at beginning of the year	**1,939**	1,371
Allowance for doubtful debts	**204**	568
Balance at end of the year	**2,143**	1,939

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB2,143,000 (2011: RMB1,939,000), 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 (2011: 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 the reporting period:

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**231,228**	207,131
31 to 60 days	**55,978**	42,154
61 to 90 days	**34,666**	17,525
91 to 120 days	**11,409**	27,290
121 to 180 days	**20,046**	44,993
Over 180 days	**128,077**	130,024
	481,404	469,117

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

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**36,451**	12,670
31 to 60 days	**29,698**	100,641
61 to 90 days	**39,867**	50,574
Over 90 days	**50,155**	56,911
	156,171	220,796

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

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**282**	–
31 to 60 days	**84**	1
61 to 90 days	**–**	–
91 to 120 days	**627**	68
121 to 180 days	**965**	58
Over 180 days	**3,299**	3,460
Total	**5,257**	3,587

The Group does not hold any collateral over these balances.

The Group's trade receivables of RMB80,198,000 (2011: RMB81,053,000), were denominated in USD and EUR, foreign currencies of the respective group entities.

The following were the Group's notes receivable as at 31 December 2012 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured bank borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2012

	Notes receivable discounted to bank with full recourse RMB'000
Carrying amount of notes receivable	**21,789**
Carrying amount of secured bank borrowings	**21,789**
Net position	–

11. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**327,342**	319,064
Bills payable	**88,639**	125,073
Payroll payable	**14,136**	11,376
Payable for purchase of property, plant and equipment	**2,592**	9,286
Value added tax payable	**13,080**	5,373
Accrued expenses	**8,030**	7,805
Receipt in advance	**19,598**	54,447
Others	**8,853**	7,463
	482,270	539,887

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

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**62,591**	32,450
31 to 60 days	**38,222**	36,483
61 to 90 days	**34,878**	25,742
91 to 180 days	**122,394**	99,264
Over 180 days	**69,257**	125,125
	327,342	319,064

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

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

	2012	2011
	RMB'000	RMB'000
0 to 30 days	**23,474**	40,464
31 to 60 days	**25,532**	42,725
61 to 90 days	**–**	200
Over 90 days	**39,633**	41,684
	88,639	125,073

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

Certain of the Group's receipt in advance and others of RMB7,949,000 (2011: RMB11,689,000), and RMB1,647,000 (2011: RMB3,561,000), respectively, were denominated in foreign currencies of respective group entities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

When compared with last year, revenue decreased by approximately RMB110.29 million, or approximately 13.8%, to RMB687.76 million in 2012 (2011: RMB798.06 million).

Sales of antenna system increased by 9.4% to approximately RMB271.31 million (2011: RMB248.03 million), while sales of base station RF subsystem decreased by approximately 39.8% to RMB284.50 million (2011: RMB472.15 million). However, sales of products of coverage extension solution increased substantially by 69.5% to RMB131.96 million (2011: RMB77.88 million).

In 2012, sales of 2G products as a percentage of the Company's total revenue declined to approximately 36.3%, while the percentage of sales of 3G and LTE products increased to approximately 28.5% and percentage of sales of multi-frequency multi-system products also increased to more than 11.3%.

Antenna system

In 2012, PRC network operators deferred network building, and the progress of network building was slower than expected, but there were signs of recovery. In particular, China Mobile has accelerated the pace of building its TD-SCDMA network in 2012, which enabled sales of the Company's TD-SCDMA antenna grew significantly by approximately 45.0% as compared to last year.

In addition, the Company made a major breakthrough on the direct sales market comprising overseas operators and commenced bulk sales of GSM, 3G and multi-frequency multi-system antenna to the markets of Japan and Thailand. The Company also realised bulk sales in overseas markets, such as India, through core equipment manufacturers. As network technology being upgraded continuously, station sharing by multiple networks was more common overseas, leading to a significant increase in the demand for multi-frequency multi-system antenna, sales of the Company's multi-frequency multi-system antenna grew substantially by approximately 48.4% as compared to last year. The Company believes that the demand for mobile communication network building in emerging economies in Asia Pacific and Latin America has resumed growth, and such demand will gradually shift from single-frequency single-network antenna to multi-frequency multi-system and special coverage antenna.

Nevertheless, the growth in the aforesaid markets was partially offset by the drastic fall in purchasing demand from some international equipment manufacturers and operator customers in view of the gloomy economy and fierce competition in the communication sector in Europe and United States.

Base station RF subsystem

Revenue from the Company's base station RF subsystem in 2012 dropped by approximately 39.8% to approximately RMB284.50 million, due to the drastic fall in the purchasing demand from some international equipment manufacturers and operator customers affected by the gloomy economy and fierce competition in the communication sector in Europe and United States.

Affected by customers' business adjustments and the external environment, the purchasing demand for the Company's products from Nokia Siemens Networks and Alcatel-Lucent slumped by approximately 67.2% and 62.3%, respectively, to RMB41.36 million and RMB66.64 million. Since current sales of our products to the aforesaid customers are mainly 2G RF subsystem products, as a result sales revenue from the Company's 2G RF subsystem products in 2012 plummeted by approximately 60.5% as compared to last year. However, since the Company has completed the development of new 3G and LTE projects for the above international equipment manufacturers in 2012 and these projects will gradually commence production in 2013, it is anticipated that the sales revenue will recover notably.

Revenue from domestic equipment manufacturer customers increased slightly by approximately 2.8% to RMB263.77 million. In particular, revenue from TD-SCDMA RF subsystem doubled, the growth was mainly attributable to the increased investment in TD-SCDMA network by China Mobile.

In addition, revenue from sales of the Company's WCDMA RF subsystem significantly increased by approximately 68.4% as compared to last year, which was mainly attributable to the upgrading of product mix for international equipment manufacturer customers by the Company and increase in demand from domestic equipment manufacturer customers.

Meanwhile, the Company's TD-LTE RF subsystem products were massively utilized in the building of TD-LTE networks in China and Japan in 2012. In addition, various models of FDD-LTE RF subsystem products passed the tests in the North American market and commenced small-scale delivery. This placed the Company in the leading position among global players of TD-LTE and FDD-LTE RF technologies. The Group believes that diversified customers and development of high-end products will help to enhance the performance growth and profitability of the Group's RF subsystem products.

Coverage extension solution

In 2012, revenue from the Company's coverage extension solutions still increased by approximately 69.5% to RMB131.96 million. In particular, revenue from aesthetic antenna declined by approximately 24.1% to RMB23.85 million, whereas revenue from electric cables, indoor antenna and other products increased significantly by approximately 132.7% to RMB108.11 million. Increase in the sales of electric cables was mainly attributable to contractual settlement of previous projects by domestic operators.

Customers

As mentioned above, although there were considerable delay in the purchases by PRC network operators, however, signs of recovery were shown in 2012. Total revenue generated from China Mobile Communication Corporation, China United Telecommunications Corporation and China Telecommunications Corporation was totalling approximately RMB243.68 million as compared to RMB166.90 million in 2011, representing an increase of 46.0% year-on-year.

Furthermore, in 2012, the Company made a major breakthrough on the direct sales market comprising overseas operators and commenced bulk sales of GSM, 3G and multi-frequency multi-system antenna to the markets of Japan and Thailand. Benefiting from economic recovery and growth as well as issuance of telecommunication licenses, mobile network investments in Asia-Pacific and Latin American recovered significantly in 2012. The Company believes mobile network investments in the above emerging economies are expected to maintain positive growth in future, particularly the growth in demand for multi-frequency multi-system antenna and special coverage antenna will be more remarkable, and the Company has obvious advantages in such product technologies.

At the end of 2011, the Company signed a three-year framework procurement agreement with a major European operator, online tests and a small quantity of bulk sales were carried out in 2012. Meanwhile, commercial and technological exchanges between other major European operators and the Company were further accelerated, and it is believed that new breakthrough will be made in near future.

In the next few years, an important strategic direction of the Company will be active expansion of overseas operator market in stages and enhancement of the influence of the Company's brand name among overseas operators, which, in turn, will have enhancement and positive effects on the operations of equipment manufacturer customers.

In 2012, revenue from ZTE Corporation ("ZTE") increased by 2.8% to approximately RMB263.76 million. Affected by the customers' business adjustments and external environment, purchasing demand for the Company's products from Nokia Siemens Networks and Alcatel-Lucent decreased significantly by approximately 67.2% and 62.3%, respectively, to RMB41.36 million and RMB66.64 million, respectively. In the long run, system equipment providers such as ZTE, Nokia Siemens Networks, Alcatel-Lucent and Ericsson will remain major commercial and technological partners of the Company, especially in respect of the business development of LTE.

The deployment of the Company's products in the network systems of our diversified international customers strengthened worldwide awareness of the brand name of MOBI.

Gross profit

In 2012, gross profit of the Company decreased by approximately 45.5% to approximately RMB115.71 million (2011: RMB212.14 million) and gross profit margin decreased from 26.6% in 2011 to 16.8% in this year.

The gross profit margin of antenna products of the Company decreased from 28.1% in 2011 to 23.4% in 2012, while the gross profit margin of RF subsystem products decreased from 24.5% to 14.9%. And due to a decrease in the percentage of the sales of aesthetic antenna with a high gross profit margin, the gross profit margin of coverage extension decreased significantly from 37.8% to 7.4%.

The decrease in the gross profit margin was primarily due to a significant decrease in the demand for some equipment suppliers' 2G RF subsystem products, which intensified the severity of price competition. In addition, since some 2G RF subsystem products entered the final phase of life cycle and the Company gave discount on the prices of some products for the purpose of inventory clearance, the profit margin of RF subsystem products was affected. Moreover, the Company adopted more flexible business strategies on some projects of domestic operators (mainly for clearance of cable projects) to accelerate the collection of payments, the profit margin of coverage extension business was significantly affected.

However, the Company believed that the impact of the aforesaid major events on the gross profit margin was a one-off effect. In 2012, the development for several new products projects sold to European customers was completed and entered into the delivering stage successively. It is expected that overall replacement will be completed in 2013. Meanwhile, it is expected that demand for 3G, LTE and multi-frequency multi-system products will increase significantly in 2013, expansion into overseas operators will drive the growth of antenna products and aesthetic antenna to exceed the Company's overall business growth, all these will contribute to increase the gross profit margin. Meanwhile, the Company stepped up its efforts in integrating upstream industrial chains, which also helped to reduce the procurement costs and increase the gross profit margin. And the Company is fully confident that the gross profit margin will resume growth in future.

Other income

Other income decreased to approximately RMB13.52 million, which was attributable to the decrease in bank interest income as a result of a decrease in the net proceeds from the listing of the Company's shares on the Hong Kong Stock Exchange ("IPO") in December 2009.

Distribution and selling expenses

Distribution and selling expenses decreased from approximately RMB55.04 million in 2011 to approximately RMB47.87 million in 2012. It was primarily due to a decrease in staff cost as a result of a decrease in the amount of employees' bonus amidst the sluggish market. The Company strengthened cost management in 2012, travelling expenses, logistics expenses and agency fees were reduced, leading to a reduction in distribution and selling expenses.

Administrative expenses

Administrative expenses decreased by 5.8% from approximately RMB80.78 million in 2011 to approximately RMB76.07 million in 2012, which was attributable to the reinforcement of cost management by the Company. Increases in social insurance expenditure, welfare expenses and amortization of intangible assets, and increases in maintenance expenses and other expenses, resulted in an increase in administrative expenses, which were offset by a substantial reduction in travelling expenses, entertainment expenses, utility expenses and office expenditure.

Research and development costs

During the year, the Group recognised development costs of approximately RMB10.17 million as intangible assets. After the capitalization, development costs increased from approximately RMB37.59 million in 2011 to approximately RMB47.57 million in 2012, which was mainly attributable to the increase in material costs and testing fees for development projects tailor-made for customers and the increase in amortization of intangible assets.

Finance costs

Finance costs increased substantially from approximately RMB60,000 in 2011 to approximately RMB1 million in 2012, which was mainly attributable to the increase in bank borrowings to satisfy the funding requirements for business growth of the Company.

Profit before taxation

Profit before taxation decreased significantly by approximately 182% and recorded a loss before taxation of approximately RMB43.28 million (2011: RMB52.90 million). Net profit margin before tax charge reduced from approximately 6.6% in 2011 to -6.3% in 2012.

Taxation

Current income tax expenses reduced from approximately RMB10.95 million in 2011 to RMB2.96 million in 2012. Effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over (loss) profit before tax were approximately 8.8% and 19.9% for 2012 and 2011, respectively.

(Loss) profit for the year

(Loss) profit for the year 2012 decreased substantially by approximately 193.2% and recorded a loss for the year of RMB39.47 million (2011: RMB42.36 million). Our net profit margin was approximately -5.7% in 2012, compared to 5.3% in 2011. In summary, the decrease in our net profit margin was due to a decrease in the Group's revenue amount as a result of the deferral of network building by PRC operators and fluctuations in the operations of European customers.

FUTURE PROSPECTS

Prospects

Looking forward, the Company will pay attention to both domestic and international markets simultaneously and will continue to focus on the area of RF technology for wireless communication, especially on base station RF technology and RF technology for other wireless communications.

The Company believes that, with the popularity of intelligent terminals, mobile internet applications have entered into a rapid development period, the LTE era has arrived. With its leading position in customer channels and product technology, the Company is in place to capture early opportunities riding on the development waves of LTE.

Customers

The Company adheres to the visionary target of "becoming a global leading provider of RF technology for mobile communications", and strives to offer its RF solution to leading system equipment manufacturers and telecommunication operators around the world.

The Company is also one of the few domestic technology providers offering RF solutions to both global system equipment manufacturers and telecommunication operators, which enables the Company to maintain a leading edge in product technology and continuous expansion of customer channels.

In 2012, the Company carried out research, development and bulk sales on TD-LTE and FDD-LTE for system equipment customers like ZTE, Nokia Siemens, Alcatel-Lucent, Ericsson and Datang, such products were sold to China and overseas markets, this brought to the Company leading market shares and network building experience in the development of LTE market. Since LTE technology is much more complicated than previous network building for 2G and 3G and involves multi-network collaborative management, current LTE network building has adopted the system equipment manufacturer turn-key method in most cases. The close, strategic and cooperative partnership relationship established by the Company with global system equipment manufacturer customers, will enhance the Company's advantages in the LTE market.

In 2012, the Company made a new breakthrough in expanding the overseas direct sales market, and realized bulk sales in the markets of Japan and Thailand, and orders were also received from the market of Latin America. The product technology requirements from overseas operator customers were more complicated, requirements of product quality and design were more stringent. The Company's capability to realize bulk sales to these markets proved that the product development of our Company has moved further ahead. The Company expects that fast growing opportunities will arise in the emerging markets like Asia Pacific and Latin America in the next few years. The Company will expand its existing advantages to achieve rapid growth in bulk sales.

At the end of 2011, the Company signed a framework procurement agreement with a leading European network operator, which enabled the Company to become one of its three largest suppliers for global antenna procurement in the next three years, and a small quantity of bulk sales was carried out in 2012. European operators represent one of the mobile communication markets that place the largest global procurement orders with most difficult technological requirements, which is in line with the Company's strategic direction. None of the PRC antenna suppliers has provided any products to the European operator market. As such, the Company has already gained a strong advantage, and it will strive to enter the antenna supplier lists of more multinational operators, which will also significantly boost the sales of the Company's antenna products to turn-key projects of system equipment customers.

According to the domestic and international experience in network building, the 3G network building 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 building in the PRC. In addition, in view of the demand for network capacity expansion due to the increasing data flow in 2G network, the Company believes that the capital expenditure of domestic operators will resume growth again in future, which in turn will boost the demand for antenna and coverage extension products of the Company from domestic operators as well as the demand for RF subsystem products from domestic network equipment customers.

Products

In 2012, the Company continued to invest in research and development. Research and development costs increased by more than 20% as compared to last year, which were mainly used for the development of LTE and next generation base antenna and RF technology.

The Company believes that the technology of our LTE products, including TD-LTE and FDD-LTE, has achieved domestic industry-leading level, and is directly comparable with foreign players. In 2012, the Company carried out research, development and bulk sales on TD-LTE and FDD-LTE products for various system equipment manufacturer customers, the products were also sold to China and overseas markets, which enabled the Company to obtain the leading market share and experience in network building during the development of LTE market. In addition, the FDD-LTE products of our Company have successfully passed the tests performed by equipment manufacturer customers in North America and we became the sole technology provider for the project from China.

Meanwhile, for antenna products, our technology for multi-frequency multi-system antenna was also developing continuously, and consistently maintained an advanced level. The Company's multi-frequency multi-system antenna maintained growth for many years and became the largest business segment of antenna system products, which benefited from the continuous expansion in demand from overseas operators. The Company believes that with increasing investments in LTE network, the demand for station sites will increase further as the coverage radius of LTE base station is shorter, and the demand for multi-network stations will be more obvious in future. The Company is developing multi-frequency and multi-system antenna technology which covers TD-LTE and FDD-LTE, and it believes that huge potential demand will exist in the overseas and China markets in future.

For RF subsystem products, apart from developing various new products for equipment customers in 2012, the Company also accelerated the development of next generation base station RF subsystem products, which were more integrated, more compact and lightweight. In addition, the Company also expanded the scope of development for outdoor RF subsystem products, such as outdoor filters for operators, and combined with antenna system products and other products to provide a one-stop tower-top solutions for customers.

On coverage extension products, apart from accelerating the upgrading of technology for domestic aesthetic antenna products, a breakthrough was also achieved in aesthetic antenna projects of overseas operators in 2012 and received orders. This shows that our special coverage solution is capable of satisfying the technological needs of overseas operators, and it is expected to have enormous growth in future.

With rapid expansion in demand from domestic and overseas operators, it is expected that during a certain period in future, the growth of antenna system products and aesthetic antenna products will be higher than the Company's average level, and the growth of 3G, 4G and special coverage products will also be higher than the average level, so it is believed that profitability will also be improved notably.

Conclusion

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

The Company and the Board will continue to optimise the size and mix of customer base, adopt competition strategies of differentiation based on technology and cost advantages, maximise the market opportunities in 3G, LTE and next generation wireless technologies. The Company will also strive to enhance its integrated competitiveness to ensure the sound and stable growth of the operating results of the Group and to create value for maximising 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 2012, the Group had net current assets of approximately RMB720.05 million (2011: RMB803.91 million) including inventories of approximately RMB282.93 million (2011: RMB326.88 million), trade and notes and bills receivable of approximately RMB637.58 million (2011: RMB689.91 million) and trade and bills payable of approximately RMB415.98 million (2011: RMB444.14 million).

The Group maintained an effective management of its working capital. For the year ended 31 December 2012, average inventories turnover, average receivables turnover and average payables turnover are approximately 195 days (2011: 198 days), 353 days (2011: 318 days) and 275 days (2011: 321 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 2012, the Group recorded a pledged bank balances of approximately RMB4.20 million (2011: RMB5.74 million), cash and bank balances of approximately RMB264.39 million (2011: RMB300.11 million) and recorded bank borrowings of approximately RMB54.36 million (2011: RMB45.21 million). The current ratio (current assets divided by current liabilities) basically remained at approximately 2.34 times as at 31 December 2012 from 2.34 times as at 31 December 2011. The gearing ratio (bank borrowings divided by total assets) was 3.5% as compared with a gearing ratio of approximately 2.7% as at 31 December 2011. 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 2012, HKD equivalent of approximately RMB2.71 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 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 also be applied in line with the description in the Prospectus.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had approximately 2,405 staff. The total staff costs amounted to approximately RMB145.82 million for the year ended 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 31 December 2012, bank balances of approximately RMB4.20 million and notes receivable of approximately RMB21.79 million were pledged to bank to secure the banking facilities and borrowings provided to the Group respectively.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 2012, a total amount of 1,345,000 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 Stock Exchange. The Company had subsequently cancelled all these shares repurchased during the year. 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 2012 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 2012 (the "2012 Annual Report"). The Board is of the view that the Company has complied with the code provisions set out in the previous Code on Corporate Governance Practices as contained in Appendix 14 of the Listing Rules during the period from 1 January 2012 to 31 March 2012, and has complied with the code provisions set out in the existing Code on Corporate Governance Practices as contained in the same Appendix during the period from 1 April 2012 to 31 December 2012, 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 2012, the internal control and the risk management system. The Group's annual results for the year ended 31 December 2012 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

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

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 2012 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 2012 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

13 March 2013

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