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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 Interim Results for the six months ended 30 June 2013

- Revenue increased to approximately RMB377.5 million, representing an increase of approximately 10.1%.
- Gross profit margin decreased from approximately 22.6% in the first half of 2012 to approximately 21.1% in the first half of 2013.
- Profit attributable to owners of the Company was approximately RMB7.79 million representing a decrease of approximately 45.6%.
- Basic earnings per share for the six months ended 30 June 2013 was approximately RMB0.96 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 2013 together with the comparative figures for the corresponding period in 2012. 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 2013

	Notes	**For the six months ended 30 June** **2013** **(Unaudited)** **RMB'000**	2012 (Unaudited) RMB'000
Revenue	3	**377,469**	342,833
Cost of sales		**(297,940)**	(265,206)
Gross profit		**79,529**	77,627
Other income	3	**1,877**	7,581
Research and development costs		**(15,936)**	(14,926)
Distribution and selling expenses		**(17,766)**	(18,074)
Administrative expenses		**(37,699)**	(35,425)
Finance costs	4	**(142)**	(161)
Profit before taxation		**9,863**	16,622
Income tax expense	5	**(2,071)**	(2,297)
Profit and the total comprehensive income for the period attributable to owners of the company	6	**7,792**	14,325
Earnings per share			
– basic (RMB cents)	8	**0.96**	1.80
– diluted (RMB cents)	8	**0.95**	1.75

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013 (Unaudited) RMB'000**	31 December 2012 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**229,651**	231,532
Deposits for purchase of plant and equipment		**5,497**	3,946
Prepaid lease payments		**29,368**	29,697
Deferred tax assets		**15,159**	12,830
Intangible assets		**25,128**	19,663
		304,803	297,668
Current assets			
Inventories		**295,192**	282,925
Trade receivables	9	**533,082**	481,404
Notes receivable		**172,427**	156,171
Prepayments, deposits and other receivables		**81,613**	68,293
Pledged bank balances		**5,562**	4,197
Bank balances and cash		**211,070**	264,392
		1,298,946	1,257,382
Current liabilities			
Trade payables	10	**348,173**	327,342
Notes payable		**77,917**	88,639
Other payables and accruals		**94,353**	66,987
Tax payable		**1,015**	—
Bank borrowings		**54,146**	54,360
		575,604	537,328
Net current assets		**723,342**	720,054
Total assets less current liabilities		**1,028,145**	1,017,722
Non-current liabilities			
Deferred income		**6,328**	6,712
Net assets		**1,021,817**	1,011,010
Capital and reserves			
Issued capital		**6**	6
Reserves		**1,021,811**	1,011,004
Equity attributable to owners of the Company		**1,021,817**	1,011,010

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2012.

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 2013 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

The directors of the Company anticipate that the application of the above new or revised 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 2012 and 2013. 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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	**149,720**	175,816
Base station RF subsystem	**201,543**	139,147
Coverage extension solution	**26,206**	27,870
	377,469	342,833
Segment results		
Antenna system	**41,336**	41,309
Base station RF subsystem	**15,858**	14,604
Coverage extension solution	**6,399**	6,788
	63,593	62,701
Reconciliation of segment results to profit before taxation:		
Other income	**1,877**	7,581
Other expenses	**(55,465)**	(53,499)
Finance costs	**(142)**	(161)
Profit before taxation	**9,863**	16,622

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segement information		
Depreciation:		
Antenna system	**2,275**	2,164
Base station RF subsystem	**7,027**	5,455
Coverage extension solution	**659**	634
Segment total	**9,961**	8,253
Unallocated amount	**4,221**	3,047
Group total	**14,182**	11,300
Research and development costs:		
Antenna system	**8,190**	6,704
Base station RF subsystem	**6,186**	6,657
Coverage extension solution	**1,560**	1,565
Group total	**15,936**	14,926

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2012 and 2013.

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 2012. 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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Antenna system		
CDMA/GSM antennas[1]	**12,743**	68,713
W-CDMA antennas[3]	**45,210**	37,090
TD-SCDMA antennas[3]	**20,355**	7,345
LTE antennas[4]	**29,946**	3,690
Multi-band/Multi-system antennas[1]	**22,827**	30,125
Microwave antennas	**8,307**	3,124
Other antennas	**10,332**	25,729
	149,720	175,816
Base station RF subsystem		
CDMA 2000 RF devices[3]	**7,258**	9,730
CDMA RF devices[2]	**4,502**	9,150
GSM RF devices[2]	**49,526**	65,422
TD-SCDMA RF devices[3]	**31,973**	1,568
W-CDMA RF devices[3]	**48,613**	30,632
LTE RF devices[4]	**13,421**	580
Other devices	**46,250**	22,065
	201,543	139,147
Coverage extension solution		
In-door antennas	**133**	112
Aesthetic antennas[1]	**19,318**	23,272
Other products	**1,388**	1,302
Electric cables	**5,367**	3,184
	26,206	27,870
	377,469	342,833

1 Dual/Multiple usage
2 2G related products
3 3G related products
4 4G 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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A[1]	**153,123**	97,502
Customer B[3]	**54,192**	48,100
Customer C[2]	**44,109**	43,994
Customer D[2]	**43,712**	12,718
Customer E[3]	**41,720**	82,365

[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 Thailand and Hungary). 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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	**324,826**	289,851
Overseas		
Thailand	**30,278**	4,480
Hungary	**4,385**	3,241
Others	**17,980**	45,261
Subtotal	**52,643**	52,982
	377,469	342,833

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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF subsystems and products of coverage extension solution	**377,469**	342,833
Other income		
Government grants	**21**	3,950
Compensation income	**384**	509
Interest income	**1,409**	3,101
Others	**63**	21
	1,877	7,581

4. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings		
– wholly repayable within five years	**142**	161

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	**2,720**	3,222
Deferred tax	**(649)**	(925)
	2,071	2,297

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%.

The applicable tax rate of MOBI Telecommunications Technologies (Ji An) Co., Ltd. ("MOBI Jian") and MOBI Technologies (Xi An) Co., Ltd. ("MOBI Xian") are 25% for the six months ended 30 June 2013.

6. PROFIT AND THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD 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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**14,182**	11,300
Amortization of prepaid lease payments	**330**	330
Cost of inventories recognised as expenses	**295,914**	263,008
Net exchange loss (gain)	**246**	(104)

7. DIVIDENDS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2011 final dividend of HK$0.02 per ordinary share and special dividend of HK$0.01 per ordinary share	**—**	19,509
2012 final dividend per ordinary share	**—**	—
	—	19,509

At the board meeting held on 21 August 2013, the directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2013.

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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period and attributable to owners of the Company	**7,792**	14,325
Earnings for purpose of basic earnings per share	**7,792**	14,325
Earnings for purpose of diluted earnings per share	**7,792**	14,325

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**809,692**	798,054
Effect of dilutive potential ordinary shares		
– 2003 share options	**62**	11,847
– 2005 share options	**9,387**	10,110
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**819,141**	820,011

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 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
0 to 30 days	**80,469**	231,228
31 to 60 days	**57,640**	55,978
61 to 90 days	**17,976**	34,666
91 to 120 days	**65,986**	11,409
121 to 180 days	**62,161**	20,046
Over 180 days	**248,850**	128,077
	533,082	481,404

10. TRADE PAYABLES

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

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
0 to 30 days	**36,262**	62,591
31 to 60 days	**46,209**	38,222
61 to 90 days	**62,898**	34,878
91 to 180 days	**115,260**	122,394
Over 180 days	**87,544**	69,257
	348,173	327,342

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 2013 amounted to approximately RMB377.5 million, representing an increase of 10.1% as compared with RMB342.8 million in the corresponding period of 2012. In which, sales of antenna system products decreased by approximately 14.8% to approximately RMB149.7 million and sales of coverage extension solution products decreased slightly by approximately 6.0% to approximately RMB26.21 million. However, sales of base station RF subsystem products increased significantly by approximately 44.8% to approximately RMB201.5 million. Such changes were due to the discrepancy between the purchasing cycles of equipment manufacturer customers and operator customers.

In the first half of 2013, revenue from products of dual/multiple, 3G and LTE usage increased by approximately 81.9% to approximately RMB219.6 million when compared with the corresponding period of 2012.

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.

Revenue from sales of antenna system products decreased by approximately 14.8% to approximately RMB149.7 million as compared with the corresponding period of 2012 (1H 2012: RMB175.8 million), mainly due to the deferral of capital expenditures by domestic operators and the decreases in investments in 2G network and sales to Japan. Of which, revenue from GSM/CDMA antenna decreased significantly by approximately 81.5% to approximately RMB12.74 million as compared with the corresponding period of 2012, mainly due to the decreases in investments in 2G network and sales to Japan. In the first half of 2013, we saw a sharp depreciation of the Japanese Yen and turned a more prudent attitude towards our sales to the Japanese market. Nevertheless, revenue from TD-SCDMA antenna of the Group increased significantly by approximately 177.1% to approximately RMB20.36 million as compared with the corresponding period of 2012. Furthermore, LTE antenna surpassed TD-SCDMA antenna in terms of sales scale in the first half of 2013. In addition, revenue from products of dual/multiple, 3G and LTE usage of the Group increased slightly by approximately 81.9% over the corresponding period of 2012 to approximately RMB219.6 million, mainly due to the deferral of 3G capital expenditures by operators in domestic and overseas emerging markets in the first half of 2013. The Group believes 4G network and multi-system stations are becoming the trend in network construction. Therefore, LTE antenna and multi-frequency/multi-system antenna will also become the trend of development in future products of antenna systems. Such business developments of the Group mentioned 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. In addition, the procurement of RF subsystem by equipment manufacturers usually takes place earlier than the procurement of base station antennas by operators. The Group noticed that there was a remarkable growth in the demand for base station RF subsystem in the first half of 2013 and expects that the demand for antenna will grow rapidly in the second half of 2013. Besides, in June 2013, China Mobile started to invite tenders for the supply of TD-LTE network equipment. As such, in the second half of 2013, it is expected that the high performance antennas required by the TD-SCDMA network (Phase VI) and the TD-LTE network of China Mobile and the 3G and LTE networks of other domestic customers will enter into a peak season for delivery. As the technologies required by 4G network are more complicated than that of 3G network, suppliers capable of developing 4G high performance antennas are far fewer than suppliers of 2G and 3G antennas. The Company held a leading industrial position in the PRC in respect of the technologies required for developing 4G high performance antennas and the tests performed by customers, and procured substantially all the share of supply from major customers. Therefore, it is expected that the growth in revenue from the antenna system products of the Company will accelerate sharply in the second half of 2013 and in the years to come.

Base station RF subsystem

The Group is a supplier of core RF subsystems for international communication equipment manufacturers, such as ZTE, Nokia Siemens and Alcatel-Lucent, and provides them with a variety of products and solutions, including 3G and 4G RF subsystem products. Due to a sharp increase in the demand from ZTE, Nokia Siemens and other customers, during the six months ended 30 June 2013, revenue from base station RF subsystem products increased by approximately 44.8% to approximately RMB201.5 million as compared with the corresponding period of 2012 (1H 2012: RMB 139.1 million). The Group believes that the growth in base station RF subsystem products is primarily attributable to a significant growth in the RF subsystems procured by domestic equipment manufacturer customers, such as ZTE, for their TD-SCDMA networks (Phase VI) and the fact that the business of overseas customers, such as Nokia Siemens, kept stable and saw a prominent recovery.

For the six months ended 30 June 2013, revenue from GSM, CDMA and CDMA2000 base station RF subsystem products decreased by approximately 24.3%, 50.8% and 25.4% to approximately RMB49.53 million, RMB4.50 million and RMB7.26 million, respectively as compared with the corresponding period last year, mainly due to the decrease in 2G capital expenditures of operators and a slowdown in the use of CDMA network worldwide. However, revenue from WCDMA and TD-SCDMA/LTE RF subsystem products increased significantly by approximately 58.7% and approximately 20 times to approximately RMB48.62 million and approximately RMB45.39 million, respectively as compared with the corresponding period of 2012, evidencing the fast growth in the demand for WCDMA and LTE worldwide driven by the development of the mobile internet.

In 2012, 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. Currently, the Group has grasped a majority of the market share in connection with the LTE projects of major customers in 2013, including TD-LTE projects and FDD-LTE projects in the PRC. 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 dedicates to achieve a balanced portfolio of products. In the first half of 2013, revenue from coverage extension solution of the Group decreased slightly by approximately 6.0% as compared with the corresponding period of 2012, mainly due to the deferral of capital expenditure by domestic operators in the first half of 2013.

Customers

In 2013, the construction of 3G and 4G networks in domestic market brought opportunities for the sustained growth of the business of the Group. However, due to the efforts made by domestic operators in planning the construction of LTE network, capital expenditure in 2G networks was reduced and capital expenditure in 3G networks was deferred in the first half of 2013, resulting in a decrease in the revenue from network operators in the PRC in the first half of 2013. Of which, sales to China Unicom Telecommunications Corporation and China Telecommunications Corporation decreased by approximately 49.3% and 48.0% to approximately RMB41.72 million and RMB5.32 million, respectively as compared with the first half of 2012, while sales to China Mobile Communication Corporation increased by approximately 12.7% to approximately RMB54.19 million as compared with the first half of 2012. In the second half of 2013, it is expected that the demand from domestic operators will significantly exceed that in the first half of 2013 in line with the investment of capital expenditure in 3G and LTE networks.

We are committed to providing quality and sophisticated products and building long-term relationships with our customers, which, plus our combined advantages in technologies and pricing, enables the Group to constantly expand its scale of supply to various network solution provider customers worldwide. As a number of new products commenced commercial production and the demand from customers increased, in the first half of 2013, sales to ZTE and Nokia Siemens increased by approximately 57.0% and 243.7% to approximately RMB153.1 million and RMB43.71 million, respectively as compared with the corresponding period of 2012. The Group believes that such remarkable increases are primarily attributable to the significant growth in the RF subsystems procured by domestic equipment manufacturer customers, such as ZTE, for their TD-SCDMA networks (Phase VI) and the fact that the business of overseas customers, such as Nokia Siemens, kept stable and saw a prominent recovery. In the first half of 2013, sales to Alcatel-Lucent also maintained stable, increasing by approximately 0.3% to RMB44.11 million as compared with the corresponding period of 2012.

In the first half of 2013, while sales to the Japanese market declined, the demand from overseas emerging markets, such as Thailand, for 3G and multi-frequencies system products remained robust.

Gross Profit

Our gross profit increased by approximately RMB1.90 million or 2.4% from approximately RMB77.63 million in the first half of 2012 to approximately RMB79.53 million in the first half of 2013.

During the six months ended 30 June 2013, our overall gross profit margin was 21.1%, representing a slight decrease of approximately 1.5% as compared with 22.6% of the corresponding period last year, which was mainly due to a low weight of antennas in the sales amount of our sales portfolio, a low weight of LTE products in the sales amount of our sales portfolio, intensified competition among the vendors in the PRC and increased cost.

It is expected that, in the second half of 2013, antenna products and LTE products will enter into a peak season for delivery and these will help to enhance our gross profit margin.

Other Income

Other income decreased to approximately RMB1.88 million, due to a decrease in the interest income from banks on the proceeds from the IPO as well as a decrease in the government subsidy received by the Group.

Distribution and Selling Expenses

Distribution and selling expenses decreased from RMB18.07 million in the first half of 2012 to approximately RMB17.77 million in the first half of 2013, primarily due to decreases in the advertisement costs and logistics cost resulting from the decrease in the sales of antenna products. Furthermore, decreases in sales of coverage extension solution products attributed to lowered customs clearance fee, after-service costs and agency fees. Reductions in advisory fees and travel expenses also led to lower overall distribution and selling expenses.

Administrative Expenses

Administrative expenses increased by approximately RMB2.27 million from approximately RMB35.43 million in the first half of 2012 to approximately RMB37.70 million in the same period of 2013, mainly due to (1) an increase in the expenses of stamp duty for purchase and sales contract and housing fund of the Company; (2) an increase in office expenses, transportation costs and social insurance premiums; (3) the appreciation of Renminbi against HK dollar, US dollar and Euro is higher than that in the first half of 2012, resulting in an increase in the exchange loss on the assets dominated in those foreign currencies of the Group. The aforesaid increase in expenses was partly offset by the decrease in consultation charges, litigation costs and maintenance expenses.

Research and Development Costs

For the six months ended 30 June 2013, the Group recognised development cost of approximately RMB7.50 million as capitalization expenses. After the capitalization, research and development costs increased by approximately RMB1.01 million from approximately RMB14.93 million in the first half of 2012 to approximately RMB15.94 million in the first half of 2013, which was mainly attributable to the increase in depreciation expenses and the amortization of intangible assets resulting from investment of additional equipment in research and development activities.

Finance Costs

Finance costs decreased from approximately RMB0.161 million in the first half of 2012 to approximately RMB0.142 million in the first half of 2013.

Profit Before Taxation

Profit before taxation decreased by approximately RMB6.76 million, or approximately 40.7%, from approximately RMB16.62 million to approximately RMB9.86 million. Net profit margin before tax charges decreased from approximately 4.8% in 2012 to approximately 2.6% in 2013.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB0.23 million from approximately RMB2.30 million in 2012 to approximately RMB2.07 million in 2013. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 21.0% and 13.8% for 2013 and 2012, respectively.

Profit for the Reporting Period

Profit for the first half of 2013 decreased by approximately 45.6% from approximately RMB14.33 million for the corresponding period in 2012 to approximately RMB7.79 million. Our net profit margin was approximately 2.1% for the first half of 2013, compared to approximately 4.2% for the corresponding period in 2012. The decrease in our net profit margin was a result of 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, especially on the base station RF technology and RF technology for 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 also 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.

In the PRC 4G network construction (including TDD-LTE and FDD-LTE) in 2013, the Group believes the operator customers will adopt turn-key delivery model, so the market share of the domestic LTE antenna and RF subsystem business will largely depend on the extent of strategic cooperation with system equipment manufacturers. The Group believes that compared with domestic counterparts, it enjoys outstanding advantages in terms of product technology and customer relations, and currently it has also gained substantially all the market share of its major customers.

In addition, in the second half of 2013, demand for network construction in overseas emerging markets remains robust. The Group will proactively participate in these overseas projects, including those in Asia Pacific, Africa and Latin America, by itself or through equipment manufacturers

The Group is confident in its annual results of operation for 2013.

Products

As domestic LTE network construction started bidding in mid-2013, the Group expects that delivery of LTE antennas will usher in a potential explosive growth. As the Group has obtained substantially all market share of its major customers in terms of LTE, we believe that the Group will be significantly benefited from the LTE network construction.

Meanwhile, the technology of antenna products is evolving rapidly around the world. Integration and multi-system station have become 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.

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 2013, delivery of new RF subsystem products to international network solution providers will mount and domestic network construction will enter the peak season of delivery. The Group is fully optimistic of its growth for the whole of 2013 and beyond.

In respect of coverage extension products, the optimisation and improvement in 3G network constructions 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, the Company has funded its operations and capital requirements from cash generated from its operations, trade credit from its suppliers, short term bank borrowing and 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 2013, the Group had net current assets of approximately RMB723.3 million (31 December 2012: RMB720.1 million) including inventories of approximately RMB 295.2million (31 December 2012: RMB282.9 million), trade and notes receivables of approximately RMB705.5 million (31 December 2012: RMB637.6 million) and trade and notes payables of approximately RMB426.1 million (31 December 2012: RMB416.0 million).

For the six months ended 30 June 2013, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 178 days (six months ended 30 June 2012: 223 days), 325 days (six months ended 30 June 2012: 360 days) and 260 days (six months ended 30 June 2012: 291 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 2013, the Group pledged bank balance with a value of approximately RMB5.56 million to the bank (31 December 2012: RMB4.20 million), cash and bank balances of approximately RMB211.1 million (31 December 2012: RMB264.4 million) and recorded short term bank borrowing of approximately RMB54.15 million (31 December 2012: RMB54.36 million). The current ratio (current assets divided by current liabilities) decreased to approximately 2.26 times as at 30 June 2013 from approximately 2.34 times as at 31 December 2012. The gearing ratio (bank borrowings divided by total assets) was approximately 3.4%, whereas the gearing ratio as at 31 December 2012 was approximately 3.5%.

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 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 necessary.

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 2013, 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 and 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 2013, the Group had approximately 2,231 staff. The total staff costs amounted to approximately RMB71.76 million for the six months ended 30 June 2013. 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 2013, bank balances of approximately RMB5.56 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2013, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB108.0 million. The Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013.

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 (the "Rules on the Corporate Governance") 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 2013 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 2013.

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 of 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 2013 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 2013 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 2013 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, 21 August 2013

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 and Mr. Yang Dong; and the independent non-executive directors are Mr. Li Tianshu, Mr. Zhang Han and Mr. Bao Fan.