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 2014

- Revenue increased to approximately RMB757.3 million, representing an increase of approximately 100.6%.
- Gross profit margin increased from approximately 21.1% in the first half of 2013 to approximately 22.4% in the first half of 2014.
- Profit attributable to owners of the Company was approximately RMB45.34 million representing an increase of approximately 481.9%.
- Basic earnings per share for the six months ended 30 June 2014 was approximately RMB5.57 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 2014 together with the comparative figures for the corresponding period in 2013. 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 2014

	Notes	**For the six months ended 30 June** **2014** **(Unaudited)** **RMB'000**	2013 (Unaudited) RMB'000
Revenue	3	**757,328**	377,469
Cost of sales		**(587,471)**	(297,940)
Gross profit		**169,857**	79,529
Other income	3	**2,008**	1,877
Research and development costs		**(31,781)**	(15,936)
Distribution and selling expenses		**(33,168)**	(17,766)
Administrative expenses		**(54,059)**	(37,699)
Finance costs	4	**(3,184)**	(142)
Profit before taxation		**49,673**	9,863
Income tax expenses	5	**(4,332)**	(2,071)
Profit and the total comprehensive income for the period attributable to owners of the company	6	**45,341**	7,792
Earnings per share			
– basic (RMB cents)	8	**5.57**	0.96
– diluted (RMB cents)	8	**5.54**	0.95

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	**30 June 2014 (Unaudited) RMB'000**	31 December 2013 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**327,970**	297,414
Deposits for purchase of plant and equipment		**20,180**	7,704
Prepaid lease payments		**28,708**	29,038
Deferred tax assets		**12,439**	12,251
Intangible assets		**25,122**	24,060
		414,419	370,467
Current assets			
Inventories		**496,156**	386,396
Trade receivables	9	**614,011**	603,898
Notes receivable		**373,325**	204,109
Prepayments, deposits and other receivables		**93,698**	65,636
Pledged bank balances		**32,424**	25,007
Bank balances and cash		**181,780**	229,754
		1,791,394	1,514,800
Current liabilities			
Trade payables	10	**613,791**	438,260
Notes payable		**268,918**	217,870
Other payables and accruals		**113,015**	119,379
Tax payable		**3,561**	1,987
Bank borrowings		**130,000**	67,194
		1,129,285	844,690
Net current assets		**662,109**	670,110
Total assets less current liabilities		**1,076,528**	1,040,577
Non-current liabilities			
Deferred income		**7,746**	8,346
Net assets		**1,068,782**	1,032,231
Capital and reserves			
Issued capital		**6**	6
Reserves		**1,068,776**	1,032,225
Equity attributable to owners of the Company		**1,068,782**	1,032,231

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2013.

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 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following 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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

The directors of the Company anticipate that the application of the above 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 2013 and 2014. 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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	**295,300**	149,720
Base station RF subsystem	**397,838**	201,543
Coverage extension solution	**64,190**	26,206
	757,328	377,469
Segment results		
Antenna system	**60,946**	41,336
Base station RF subsystem	**57,625**	15,858
Coverage extension solution	**19,505**	6,399
	138,076	63,593
Reconciliation of segment results to profit before taxation:		
Other income	**2,008**	1,877
Other expenses	**(87,227)**	(55,465)
Finance costs	**(3,184)**	(142)
Profit before taxation	**49,673**	9,863

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segement information		
Depreciation:		
Antenna system	**2,166**	2,275
Base station RF subsystem	**6,929**	7,027
Coverage extension solution	**681**	659
Segment total	**9,776**	9,961
Unallocated amount	**4,632**	4,221
Group total	**14,408**	14,182
Research and development costs:		
Antenna system	**14,185**	8,190
Base station RF subsystem	**15,737**	6,186
Coverage extension solution	**1,859**	1,560
Group total	**31,781**	15,936

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2013 and 2014.

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 2013. 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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Antenna system		
CDMA/GSM antennas[(1)]	**9,060**	12,743
WCDMA/FDD-LTE (narrow band) antennas[(1)]	**51,828**	45,210
TD/TD-LTE antennas[(1)]	**158,091**	50,301
FDD-LTE antennas[(4)]	**23,135**	2,651
Multi-band/Multi-system antennas[(1)]	**14,470**	22,827
Microwave antennas	**15,888**	8,307
Other antennas	**22,828**	7,681
	295,300	149,720
Base station RF subsystem		
CDMA 2000 RF devices[(3)]	**1,878**	7,258
CDMA RF devices[(2)]	**4,134**	4,502
GSM RF devices[(2)]	**127,144**	49,526
TD-SCDMA RF devices[(3)]	**84,241**	31,973
W-CDMA RF devices[(3)]	**54,975**	48,613
LTE RF devices[(4)]	**108,169**	13,421
Other devices	**17,297**	46,250
	397,838	201,543
Coverage extension solution		
In-door antennas	**—**	133
Aesthetic antennas[(1)]	**56,320**	19,318
Other products	**7,870**	1,388
Electric cables	**—**	5,367
	64,190	26,206
	757,328	377,469

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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A[1]	**384,114**	153,123
Customer B[2]	**105,271**	43,712
Customer C[2]	**95,822**	44,109

1 revenue mainly from antenna system and base station RF subsystem

2 revenue mainly from base station RF subsystem

Geographical information

The reportable segments of the Group are mainly operated in the PRC and overseas (mainly Thailand and India). An analysis of the Group's geographical information on revenues attributed to the region on the basis of the customer's location is set out in the following table:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	**669,825**	324,826
Overseas		
Thailand	**40,711**	30,278
India	**17,565**	3,781
Others	**29,227**	18,584
Subtotal	**87,503**	52,643
	757,328	377,469

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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF subsystems and products of coverage extension solution	**757,328**	377,469
Other income		
Government grants	**1,696**	21
Compensation income	**26**	384
Interest income	**668**	1,409
Others	**(382)**	63
	2,008	1,877

4. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings – wholly repayable within five years	**3,184**	142

5. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	**4,518**	2,720
Deferred tax	**(186)**	(649)
	4,332	2,071

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 15% for the six months ended 30 June 2014.

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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**14,408**	14,182
Amortization of prepaid lease payments	**330**	330
Cost of inventories recognised as expenses	**585,789**	295,914
Net exchange (gain) loss	**(121)**	246

7. DIVIDENDS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2012 final dividend per ordinary share	**—**	—
2013 final dividend per ordinary share	**12,930**	—
	12,930	—

At the board meeting held on 20 August 2014, the directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2014.

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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period and attributable to owners of the Company	**45,341**	7,792
Earnings for purpose of basic earnings per share	**45,341**	7,792
Earnings for purpose of diluted earnings per share	**45,341**	7,792

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**813,841**	809,692
Effect of dilutive potential ordinary shares		
– 2003 share options	**—**	62
– 2005 share options	**5,300**	9,387
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**819,141**	819,141

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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
0 to 30 days	**243,804**	320,397
31 to 60 days	**123,708**	96,823
61 to 90 days	**36,420**	10,278
91 to 120 days	**25,692**	13,434
121 to 180 days	**14,726**	15,837
Over 180 days	**169,661**	147,129
	614,011	603,898

10. TRADE PAYABLES

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
0 to 30 days	**76,338**	93,353
31 to 60 days	**94,250**	111,111
61 to 90 days	**119,670**	60,572
91 to 180 days	**262,799**	114,286
Over 180 days	**60,734**	58,938
	613,791	438,260

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 2014 amounted to approximately RMB757.3 million, representing a significant increase of approximately 100.6% as compared with approximately RMB377.5 million in the corresponding period of 2013. In which, sales of antenna system products increased significantly by approximately 97.3% to approximately 295.3 million, sales of base station RF subsystem products increased significantly by approximately 97.4% to approximately RMB397.8 million, and sales of coverage extension solution products also increased significantly by approximately 144.9% to approximately RMB64.19 million. Such increases were attributed to the construction of 4G networks by domestic operators and increase of demands for the construction of global networks.

In the first half of 2014, revenue from products of dual/multiple, 3G and LTE usages increased significantly by approximately 126.2% to approximately RMB496.8 million when compared with the corresponding period of 2013.

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 increased by approximately 97.3% to approximately RMB295.3 million as compared with the corresponding period of 2013 (1H 2013: RMB149.7 million), mainly attributed to the construction of 4G networks by domestic operators. Of which, revenue from TD/TD-LTE antennas increased significantly by approximately 214.3% to approximately RMB158.1 million as compared with the corresponding period of 2013, mainly due to the significant increases in investments in 4G antennas of 4G network operators and system equipment manufacturers in the PRC. In addition, revenue from FDD-LTE (ultra-wideband) antennas of the Group also increased significantly by approximately 772.6% to approximately RMB23.14 million as compared with the corresponding period of 2013. Furthermore, sales scale of WCDMA/FDD-LTE (narrow band) antennas also increased approximately 14.6% to approximately RMB51.83 million as compared with the corresponding period in 2013. Taken together, revenue from antenna system products of dual/multiple, 3G and LTE usages of the Group increased significantly by approximately 109.2% over the corresponding period of 2013 to approximately RMB247.5 million. The Group believes 4G networks and multi-system stations are becoming the trend in networks construction. Therefore, LTE antennas and multi-frequency/multi-system antennas will also become the trend of development in future products of antennas systems. Such business developments of the Group mentioned above will help to maintain its competitive edge in the technology aspect.

After entering into the 4G era, as the technologies required by 4G networks are more complicated, operators' requirements on technologies and reliabilities of antenna systems are more complicated, therefore, suppliers capable of developing 4G high performance antennas are far fewer than suppliers of 2G and 3G antennas. The Group 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 revenue from the antenna system products of the Group will have large potential for growth in the future.

Base station RF subsystem

The Group is a supplier of core RF subsystems for international communication equipment manufacturers, such as ZTE, Nokia Solutions and Networks 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 demands from ZTE, Nokia Solutions and Networks and other customers, during the six months ended 30 June 2014, revenue from base station RF subsystem products increased by approximately 97.4% to approximately RMB397.8 million as compared with the corresponding period of 2013 (1H 2013: RMB201.5 million). The Group believes that the growth in base station RF subsystem products are also primarily attributable to the construction of 4G networks and the increase of demands for the construction of global networks .

For the six months ended 30 June 2014, LTE and TD base station RF subsystem products increased by approximately 706.0% and 163.5% to approximately RMB108.2 million and approximately RMB84.24 million, respectively as compared with the corresponding period of 2013, mainly benefit from the construction of 4G networks by domestic operators. Meanwhile, the GSM base station RF subsystem products also increased significantly by approximately 156.7% to approximately RMB127.1 million, as compared with the corresponding period of 2013. However, CDMA2000 and CDMA RF subsystem products decreased by approximately 74.1% and approximately 8.2% to approximately RMB1.88 million and approximately RMB4.13 million, respectively as compared with the corresponding period of 2013, demonstrating the application of CDMA networks in the world are slowing down.

Coverage extension solution

The Group dedicates to achieve a balanced portfolio of products. In the first half of 2014, revenue from coverage extension solutions segment of the Group increased significantly by approximately 144.9% as compared with the first half of 2013, mainly attributed to the construction of 4G networks by domestic operators. As the density of 4G base station is significantly higher than that of 3G, the accessibilities of station sites are also becoming increasingly difficult, therefore, the use of high-performance aesthetic antennas is more and more important, the Group expected that coverage extension products will have chance to continue growing rapidly in the future.

Customers

In 2014, the construction of 4G networks in domestic market brought opportunities for the sustained growth of the business of the Group. As the TD-LTE networks adopt turn-key delivery model, the Group's antenna system products and RF subsystem products are all delivered to network solution providers, such as ZTE, therefore, the Group's revenue from network solution providers increased rapidly, the sales proportion increased.

In the first half of 2014, sales to ZTE, Alcatel-Lucent and Nokia Solutions and Networks increased significantly by approximately 150.9%、117.2% and 140.8% respectively to approximately RMB384.1 million, RMB95.82 million and RMB105.3 million year on year.

For domestic operators, sales to China Unicom Telecommunications Corporation and China Telecommunications Corporation increased by approximately 8.7% and 503.2% to approximately RMB45.35 million and RMB32.11 million, respectively as compared with the first half of 2013, while sales to China Mobile Communication Corporation decreased by approximately 14.7% to approximately RMB46.23 million as compared with the first half of 2013, which was mainly due to the change of the networks construction by each operator and the purchase of turn-key for China Mobile TD-LTE. As the construction of 4G networks was still at an early stage, the Group believe that domestic 4G construction will continue to have large potential in the future.

In the first half of 2014, while sales to the Japanese market declined, the demands from overseas emerging markets, such as Thailand, India and other Southeast Asia markets, for 3G and multi-frequencies system products remained robust continuously.

Gross Profit

Our gross profit increased significantly by approximately RMB90.37 million or 113.6% from approximately RMB79.53 million in the first half of 2013 to approximately RMB169.9million in the first half of 2014.

During the six months ended 30 June 2014, the Group's overall gross profit margin increased to 22.4%,as compared with approximately 21.1% of the corresponding period last year, which was mainly due to the constantly optimization of products sales portfolio, and the improvement of sales proportion of high-tech products.

Other Income

Other income increased to approximately RMB2.01 million, mainly due to an increase in the government subsidies received by the Group.

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB17.77 million in the first half of 2013 to approximately RMB33.17 million in the first half of 2014, primarily due to increases in salaries, business expenditure, travel expenses, logistics costs resulting from increases in products sales.

Administrative Expenses

Administrative expenses increased by approximately RMB16.36 million from approximately RMB37.70 million in the first half of 2013 to approximately RMB54.06 million in the same period of 2014, mainly due to (1) an increase in the average number of employees, salaries, welfare payments required by business expansions; (2) an increase in business expenditure, rental expenses, water and electricity charges and social insurance premiums; (3) professional fees for auditing, advising and consulting, maintenance expenses, handling charges and low-value consumption goods also increased.

Research and Development Costs

For the six months ended 30 June 2014, the Group recognised development costs of approximately RMB5.42 million as capitalization expenses. After the capitalization, research and development costs increased by approximately RMB15.84 million from approximately RMB15.94 million in the first half of 2013 to approximately RMB31.78 million in the first half of 2014, which was mainly attributable to the increase in salaries for research and development activities, materials costs and testing fees for customized development projects and the increase in amortization of intangible assets.

Finance Costs

Finance costs increased from approximately RMB0.142 million in the first half of 2013 to approximately RMB3.18 million in the first half of 2014, primarily due to the increase in bank borrowings to satisfy the fund demand from rapid business growth of the Group.

Profit Before Taxation

Profit before taxation increased significantly by approximately RMB39.81 million, or approximately 403.8%, from approximately RMB9.86 million to approximately RMB49.67 million. Net profit margin before tax charges increased from approximately 2.6% in 2013 to approximately 6.6% in 2014.

Income Tax Expenses

Our income tax expenses increased by approximately RMB2.26 million from approximately RMB2.07 million in 2013 to approximately RMB4.33 million in 2014. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 8.7% and approximately 21.0% for 2014 and 2013, respectively.

Profit for the Reporting Period

Profit for the first half of 2014 increased significantly by approximately 481.9% from approximately RMB7.79 million for the corresponding period in 2013 to approximately RMB45.34 million. Our net profit margin was approximately 6.0% for the first half of 2014, compared to approximately 2.1% for the corresponding period in 2013. The increase in our net profit margin was mainly due to the higher net profit margin from the sales of 4G related products than that of the sales of 3G related products, and the efficiencies brought by the Group's economies of scale.

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 competitions and the effects of global economic conditions, 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 networks construction (including TDD-LTE and FDD-LTE) in 2014, 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 technologies 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 2014, demands for networks construction in overseas emerging markets remains robust. The Group will proactively participate in these overseas projects, including those areas in Asia Pacific, Africa and Latin America, by itself or through equipment manufacturers. In the long term, the Group still insists on its internationalized market strategies, especially in the multinational operators markets in Europe, and will continue to develop towards this direction.

The Group is confident in its annual results of operation for 2014.

Products

As domestic LTE networks construction started to grow rapidly in 2014, the Group's domestic deliveries of LTE antennas will usher in a potential continuous 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 networks construction.

Meanwhile, the technology of antenna products is evolving rapidly around the world. Integration and multi-system stations 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 networks construction.

In respect of base station RF subsystem products, the Group will continue to enhance cooperation with international network solutions providers, expand product portfolios. As the network type in 4G era is becoming increasingly complicated with more obvious problems, such as interference, demands for ambient RF system products by global operator customers also begin to emerge, and the Group have its technologies and customers strengths simultaneously. Base station RF subsystem products are mainly customized products using the same technology of the relevant base station equipment. Therefore, international network solutions providers have very strict technology requirements for their vendors. The Group believes that with the long term and close cooperation with international network solutions 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 respect of coverage extension products, as the station sites environment in 4G era is more complicated, specific antennas and high quality aesthetic antennas are expected to be applied more broadly, and the Group has leading technology strengths in such areas.

Conclusion

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

The Group will continue to optimise its customer base and structure, adapt strategies of product differentiation based on the technologies and costs, maximise the market opportunities in 3G, LTE and the new generation wireless technology. The Group will also strive to enhance its integrated competitiveness to ensure the stable growth of the operating results of the Group and to maximise the returns to its shareholders and the society.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, we have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers, 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 2014, the Group had net current assets of approximately RMB662.1 million (31 December 2013: approximately RMB670.1 million) including inventories of approximately RMB 496.2million (31 December 2013: approximately RMB386.4 million), trade and notes receivables of approximately RMB987.3 million (31 December 2013: approximately RMB808.0 million) and trade and notes payables of approximately RMB882.7 million (31 December 2013: approximately RMB656.1 million).

For the six months ended 30 June 2014, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 137 days (six months ended 30 June 2013: approximately 178 days), 216 days (six months ended 30 June 2013: approximately 325 days) and 240 days (six months ended 30 June 2013: approximately 260 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 2014, the Group pledged bank balance with a value of approximately RMB32.42 million to the bank (31 December 2013: approximately RMB25.01 million), cash and bank balances of approximately RMB181.8 million (31 December 2013: approximately RMB229.8 million) and recorded short term bank borrowings of approximately RMB130.0 million (31 December 2013: approximately RMB67.19 million). The current ratio (current assets divided by current liabilities) decreased to approximately 1.59 times as at 30 June 2014 from approximately 1.79 times as at 31 December 2013. The gearing ratio (bank borrowings divided by total assets) was approximately 5.9%, whereas the gearing ratio as at 31 December 2013 was approximately 3.6%.

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 2014, the Company has already applied approximately RMB361 million in accordance with the description of the use of proceeds in the prospectus of the Company dated 4 December 2009 (the "Prospectus"):

— Approximately RMB134 million, RMB42 million and RMB49 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 2014, the Group had approximately 3,998 staff. The total staff costs amounted to approximately RMB138 million for the six months ended 30 June 2014. 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 2014, bank balances of approximately RMB32.42 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2014, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB26.20 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 2014.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014.

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 Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the six months ended 30 June 2014 except for the deviation of code provision A.2.1.

The code provision 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 2014.

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 2014 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 2014 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 2014 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, 20 August 2014

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. Li Guinian.