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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 2015

- Revenue increased to approximately RMB821.2 million, representing an increase of approximately 8.4%.
- Gross profit margin increased from approximately 22.4% in the first half of 2014 to approximately 23.1% in the first half of 2015.
- Profit attributable to owners of the Company was approximately RMB52.29 million representing an increase of approximately 15.3%.
- Basic earnings per share for the six months ended 30 June 2015 was approximately RMB6.59 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 2015 together with the comparative figures for the corresponding period in 2014. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	**For the six months ended 30 June 2015 (Unaudited) RMB'000**	For the six months ended 30 June 2014 (Unaudited) RMB'000
Revenue	3	**821,216**	757,328
Cost of sales		**(631,572)**	(587,471)
Gross profit		**189,644**	169,857
Other income and expenses	3	**3,321**	2,008
Research and development costs		**(36,338)**	(31,781)
Distribution and selling expenses		**(41,529)**	(33,168)
Administrative expenses		**(44,960)**	(54,059)
Finance costs	4	**(10,929)**	(3,184)
Profit before taxation		**59,209**	49,673
Income tax expenses	5	**(6,916)**	(4,332)
Profit and the total comprehensive income for the period attributable to owners of the company	6	**52,293**	45,341
Earnings per share			
– basic (RMB cents)	8	**6.59**	5.57
– diluted (RMB cents)	8	**6.52**	5.54

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**391,461**	402,259
Deposits for purchase of plant and equipment		**9,966**	7,149
Prepaid lease payments		**28,049**	28,379
Deferred tax assets		**16,995**	15,515
Intangible assets		**30,306**	27,852
		476,777	481,154
Current assets			
Inventories		**471,544**	451,369
Trade receivables	9	**547,627**	567,503
Notes receivable		**615,369**	571,214
Prepayments, deposits and other receivables		**65,288**	52,772
Pledged bank balances		**57,338**	48,988
Bank balances and cash		**274,683**	212,679
		2,031,849	1,904,525
Current liabilities			
Trade payables	10	**486,093**	552,683
Notes payable		**370,345**	297,502
Other payables and accruals		**149,393**	150,050
Tax payable		**5,757**	7,121
Bank borrowings – due within one year		**264,634**	246,018
		1,276,222	1,253,374
Net current assets		**755,627**	651,151
Total assets less current liabilities		**1,232,404**	1,132,305
Non-current liabilities			
Bank borrowings – due after one year		**70,000**	–
Deferred income		**6,774**	7,384
		76,774	7,384
Net assets		**1,155,630**	1,124,921
Capital and reserves			
Issued capital		**6**	6
Reserves		**1,155,624**	1,124,915
Equity attributable to owners of the Company		**1,155,630**	1,124,921

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2014.

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 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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 2014 and 2015. 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	**403,692**	295,300
Base station RF subsystem	**382,054**	397,838
Coverage extension solution	**35,470**	64,190
	821,216	757,328
Segment results		
Antenna system	**96,207**	60,946
Base station RF subsystem	**50,009**	57,625
Coverage extension solution	**7,090**	19,505
	153,306	138,076
Reconciliation of segment results to profit before taxation:		
Other income	**3,321**	2,008
Other expenses	**(86,489)**	(87,227)
Finance costs	**(10,929)**	(3,184)
Profit before taxation	**59,209**	49,673

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segment information		
Depreciation:		
Antenna system	**3,037**	2,166
Base station RF subsystem	**7,829**	6,929
Coverage extension solution	**526**	681
Segment total	**11,392**	9,776
Unallocated amount	**6,143**	4,632
Group total	**17,535**	14,408
Research and development costs:		
Antenna system	**17,031**	14,185
Base station RF subsystem	**16,995**	15,737
Coverage extension solution	**2,312**	1,859
Group total	**36,338**	31,781

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2014 and 2015.

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 2014. The Group does not allocate other income, distribution and selling expenses, administrative expenses, finance costs and income tax expenses 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Antenna system		
WCDMA/FDD-LTE (narrow band) antennas(1)	**158,784**	51,828
TD/TD-LTE antennas(1)	**113,255**	158,091
Microwave antennas	**36,324**	15,888
FDD-LTE antennas(4)	**34,521**	23,135
CDMA/GSM antennas(1)	**25,529**	9,060
Multi-band/Multi-system antennas(1)	**14,568**	14,470
Other antennas	**20,711**	22,828
	403,692	295,300
Base station RF subsystem		
LTE RF devices(4)	**232,808**	108,169
GSM RF devices(2)	**65,540**	127,144
W-CDMA RF devices(3)	**59,312**	54,975
TD-SCDMA RF devices(3)	**5,101**	84,241
CDMA RF devices(2)	**682**	4,134
CDMA 2000 RF devices(3)	**44**	1,878
Other devices	**18,567**	17,297
	382,054	397,838
Coverage extension solution		
Aesthetic antennas(1)	**28,497**	56,320
Other products	**6,973**	7,870
	35,470	64,190
	821,216	757,328

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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A[1]	**402,759**	384,114
Customer B[3]	**156,125**	45,355
Customer C[2]	**83,631**	95,822

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 Japan). 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	**731,980**	669,825
Overseas		
Thailand	**24,313**	40,711
Japan	**21,014**	8,989
Others	**43,909**	37,803
Subtotal	**89,236**	87,503
	821,216	757,328

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

3. REVENUE, OTHER INCOME AND EXPENSES

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF subsystems and products of coverage extension solution	**821,216**	757,328
Other income and expenses		
Government grants	**2,578**	1,696
Compensation income	**36**	26
Interest income	**1,353**	668
Others	**(646)**	(382)
	3,321	2,008

4. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings – wholly repayable within five years	**10,929**	3,184

5. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	**8,396**	4,518
Deferred tax	**(1,480)**	(186)
	6,916	4,332

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 2015.

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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**17,535**	14,408
Amortization of prepaid lease payments	**330**	330
Cost of inventories recognised as expenses	**626,955**	585,789
Net exchange (gain)	**(834)**	(121)

7. DIVIDENDS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2013 final dividend of HKD0.02 per share	**—**	12,930
2014 final dividend of HKD0.04 per share	**25,774**	—
	25,774	12,930

At the board meeting held on 19 August 2015, the directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2015.

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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period and attributable to owners of the Company	**52,293**	45,341
Earnings for purpose of basic earnings per share	**52,293**	45,341
Earnings for purpose of diluted earnings per share	**52,293**	45,341

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**793,851**	813,841
Effect of dilutive potential ordinary shares		
– 2005 share options	**2,779**	5,300
– 2013 share options	**5,693**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**802,323**	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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0 to 30 days	**176,016**	287,199
31 to 60 days	**113,118**	91,809
61 to 90 days	**75,391**	27,970
91 to 120 days	**35,933**	39,493
121 to 180 days	**41,413**	24,458
Over 180 days	**105,756**	96,574
	547,627	567,503

10. TRADE PAYABLES

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
0 to 30 days	**65,933**	97,946
31 to 60 days	**55,881**	113,724
61 to 90 days	**84,495**	105,381
91 to 180 days	**249,693**	176,022
Over 180 days	**30,091**	59,610
	486,093	552,683

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 2015 amounted to approximately RMB821.2 million, representing an increase of approximately 8.4% as compared with approximately RMB757.3 million in the corresponding period of 2014. In which, sales of antenna system products increased significantly by approximately 36.7% to approximately RMB403.7 million, sales of base station RF subsystem products decreased slightly by approximately 4.0% to approximately RMB382.1 million, and sales of coverage extension solution products also decreased by approximately 44.7% to approximately RMB35.47 million. Such increase in the revenue from antenna system products was 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 2015, revenue from products of dual/multiple, 3G and LTE usages increased significantly by approximately 24.5% to approximately RMB618.4 million when compared with the corresponding period of 2014.

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 Russia, 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 significantly by approximately 36.7% to approximately RMB403.7 million as compared with the corresponding period of 2014 (1H 2014: RMB295.3 million), mainly attributed to the construction of 4G networks by domestic operators. Of which, revenue from WCDMA/FDD-LTE (narrow band) antennas increased significantly by approximately 206.4% to approximately RMB158.8 million as compared with the corresponding period of 2014, 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 49.2% to approximately RMB34.52 million as compared with the corresponding period of 2014. However, sales scale of TD/TD-LTE antennas decreased by approximately 28.4% to approximately RMB113.3 million as compared with the corresponding period in 2014. Taken together, revenue from antenna system products of dual/multiple, 3G and LTE usages of the Group increased significantly by approximately 29.7% over the corresponding period of 2014 to approximately RMB321.1 million. The Group believes 4G networks and multi-system stations are becoming the trend in networks construction. Therefore, LTE antennas and multi-band/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.

On top of this, the Group has successfully developed the research and development platform for the new generation of antenna and made a further breakthrough in the high quality antenna technology. It is believed that this can meet the mainstream demand of the international market, thereby laying a foundation for future development.

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. During the six months ended 30 June 2015, revenue from base station RF subsystem products decreased slightly by approximately 4.0% to approximately RMB382.1 million as compared with the corresponding period of 2014 (1H 2014: RMB397.8 million), which was mainly attributed to the impact of the inventory adjustment as a result of the acquisition of Alcatel-Lucent by Nokia Solutions and Networks. The Group believes that base station RF subsystem products will have continued growth room in the future, which is 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 2015, revenue from LTE and WCDMA base station RF subsystem products increased by approximately 115.2% and approximately 7.9% to approximately RMB232.8 million and approximately RMB59.31 million, respectively as compared with the corresponding period of 2014, mainly benefit from the construction of 4G networks by domestic operators. Meanwhile, revenue from other base station RF subsystem products also increased by approximately 7.3% to approximately RMB18.57 million, as compared with the corresponding period of 2014. However, revenue from CDMA 2000 and CDMA RF subsystem products decreased significantly by approximately 97.6% and approximately 83.5% to approximately RMB40,000 and approximately RMB680,000, respectively as compared with the corresponding period of 2014, demonstrating the application of CDMA networks in the world is decreasing drastically. Revenue from GSM RF subsystem products decreased by approximately 48.5% as compared with the corresponding period of 2014 to approximately RMB65.54 million, which was mainly attributed to the impact of the inventory adjustment as a result of the acquisition of Alcatel-Lucent by Nokia Solutions and Networks.

Coverage extension solution

The Group dedicates to achieve a balanced portfolio of products. In the first half of 2015, revenue from coverage extension solution segment of the Group decreased by approximately 44.7% as compared with the first half of 2014, mainly attributed to the impact of temporary fluctuations arising from the optimization of process management by operators on procurement in the first half of 2015. The Company believes that given the increasing scarcity of sites for base stations and the operation of Tower Company (鐵塔公司), the demand for aesthetic antennas by operators will continue to increase substantially.

Customers

In 2015, 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 year-on-year revenue from network solution provider, ZTE, increased by approximately 4.9% to approximately RMB402.8 million.

However, in the first half of 2015, sales to Alcatel-Lucent and Nokia Solutions and Networks decreased by approximately 12.7% and approximately 69.8% respectively to approximately RMB83.63 million and approximately RMB31.83 million year on year. This was mainly attributed to the impact of the inventory adjustment as a result of the acquisition of Alcatel-Lucent by Nokia Solutions and Networks. The Group believes that this adjustment is temporary. Nokia Solutions and Networks and Alcatel-Lucent have formed a global leading equipment manufacturer following their merger. It is believed that this will have a positive impact on future market competition and shares, thereby bringing more orders to the Company.

For domestic operators, sales to China Unicom Telecommunications Corporation and China Telecommunications Corporation increased significantly by approximately 244.2% and approximately 24.8% to approximately RMB156.1 million and approximately RMB40.09 million, respectively as compared with the first half of 2014, while sales to China Mobile Communication Corporation decreased significantly by approximately 52.6% to approximately RMB21.90 million as compared with the first half of 2014, 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 believes that domestic 4G construction will continue to have large potential in the future.

In the first half of 2015, the demands from overseas markets, such as Japan, Russia and Mexico, for 3G and multi-band/multi-system products remained robust continuously.

Gross Profit

Our gross profit increased by approximately RMB19.70 million or 11.6% from approximately RMB169.9 million in the first half of 2014 to approximately RMB189.6 million in the first half of 2015.

During the six months ended 30 June 2015, the Group's overall gross profit margin increased to approximately 23.1%, as compared with approximately 22.4% 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 and Expenses

Other income and expenses increased to approximately RMB3.32 million, mainly due to an increase in the government subsidies received by the Group and the increased bank interest income.

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB33.17 million in the first half of 2014 to approximately RMB41.53 million in the first half of 2015, primarily due to increases in salaries, business expenditure, consulting fees, fair and exhibition fees and agency fees resulting from increases in products sales.

Administrative Expenses

Administrative expenses decreased by approximately RMB9.10 million from approximately RMB54.06 million in the first half of 2014 to approximately RMB44.96 million in the same period of 2015, mainly due to (1) decreases in expenditure such as business expenditure, welfare expenses, litigation costs, recruitment and personnel agency fees and low-value consumables due to the enhancement of fees management by the Group; (2) decreases in expenses such as rental expenses and housing provident funds as a result of the completion and commissioning of the new plant in Guangming New District.

Research and Development Costs

For the six months ended 30 June 2015, the Group recognised development costs of approximately RMB5.45 million as capitalization expenses. After the capitalization, research and development costs increased by approximately RMB4.56 million from approximately RMB31.78 million in the first half of 2014 to approximately RMB36.34 million in the first half of 2015, which was mainly attributable to the increase in salaries for research and development activities, surcharge on wages and research and development materials costs.

Finance Costs

Finance costs increased from approximately RMB3.18 million in the first half of 2014 to approximately RMB10.93 million in the first half of 2015, primarily due to the increase in bank borrowings to satisfy the fund demand from rapid business growth of the Group. In 2014, part of the borrowings was used to construct the new plant in the Guangming New District and the interests were capitalized. Since the commissioning of the new plant in the Guangming New District, the interests of this part of the borrowings have been included in finance costs.

Profit Before Taxation

Profit before taxation increased significantly by approximately RMB9.54 million, or approximately 19.2%, from approximately RMB49.67 million to approximately RMB59.21 million. Net profit margin before tax charges increased from approximately 6.6% in 2014 to approximately 7.2% in 2015.

Income Tax Expenses

Our income tax expenses increased by approximately RMB2.59 million from approximately RMB4.33 million in 2014 to approximately RMB6.92 million in 2015. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 11.7% and approximately 8.7% for 2015 and 2014, respectively.

Profit for the Reporting Period

Profit for the first half of 2015 increased by approximately 15.3% from approximately RMB45.34 million for the corresponding period in 2014 to approximately RMB52.29 million. Our net profit margin was approximately 6.4% for the first half of 2015, compared to approximately 6.0% for the corresponding period in 2014. 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 2015, 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 2015, 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. Meanwhile, the Group is also expected to be included in the short list of antenna supply of more international equipment manufacturers and international operators. 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 2015.

Products

As domestic LTE networks construction started to grow rapidly in 2015, especially the issuance of the LTE-FDD licenses by the Ministry of the Industry and Information Technology of the PRC to China Telecom and China Unicom on 27 February 2015, 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-band/multi-system 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 has 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 2015, the Group had net current assets of approximately RMB755.6 million (31 December 2014: approximately RMB651.2 million) including inventories of approximately RMB471.5 million (31 December 2014: approximately RMB451.4 million), trade and notes receivables of approximately RMB1,163.0 million (31 December 2014: approximately RMB1,138.7 million) and trade and notes payables of approximately RMB856.4 million (31 December 2014: approximately RMB850.2 million).

For the six months ended 30 June 2015, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 134 days (six months ended 30 June 2014: approximately 137 days), 256 days (six months ended 30 June 2014: approximately 216 days) and 248 days (six months ended 30 June 2014: approximately 240 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. 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 2015, the Group pledged bank balance with a value of approximately RMB57.34 million to the bank (31 December 2014: approximately RMB48.99 million), cash and bank balances of approximately RMB274.7 million (31 December 2014: approximately RMB212.7 million) and recorded bank borrowings of approximately RMB334.6 million (31 December 2014: approximately RMB246.0 million). The current ratio (current assets divided by current liabilities) increased to approximately 1.59 times as at 30 June 2015 from approximately 1.52 times as at 31 December 2014. The gearing ratio (bank borrowings divided by total assets) was approximately 13.3%, whereas the gearing ratio as at 31 December 2014 was approximately 10.3%.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had approximately 3,674 staff. The total staff costs amounted to approximately RMB144 million for the six months ended 30 June 2015. 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 2015, bank balances of approximately RMB57.34 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2015, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB25.24 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 2015.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

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 ("CG Code") 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 2015 except for the deviation of code provision A.2.1.

The code provision A.2.1 of the CG Code 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 ("Mr. Hu") 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 2015.

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 interim financial statements for the six months ended 30 June 2015 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 2015 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 2015 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, 19 August 2015

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