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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a reduction of over 80% in its consolidated net profit for the twelve months ended 31 December 2017 as compared to the corresponding period in 2016. The possibility of loss cannot be ruled out.

The information contained in this announcement is only a preliminary assessment made by the management of Company based on the unaudited consolidated management accounts of the Group for the twelve months ended 31 December 2017, which have not been audited or reviewed by the Company's auditor.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by MOBI Development Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “Board”) wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a reduction of over 80% in its consolidated net profit for the twelve months ended 31 December 2017 as compared to the corresponding period in 2016. As the finalizing and auditing of accounts have not been completed, including various provisions and impairments, the possibility of loss cannot be ruled out.

The reduction in the Group's net profit was mainly attributable to the following reasons:

- (i) The announcement of the tender results of China Mobile's Narrowband Internet of Things procurement was delayed to the fourth quarter. Given Chinese operators' sales model of "purchase on credit first and contract after", part of the purchase price received for the relevant shipment could not be recognized as revenue for 2017;
- (ii) Intensified market competition in 2017 led to a further decrease in selling price, which in turn led to a decrease in gross profit margin;
- (iii) Administrative expenses and research & development costs increased as compared to the corresponding period in 2016. In order to meet the business demand of global customers, the Company significantly increased efforts in new pipeline projects in 2017, increasing the scale of the research & development team and thus incurred significantly more research expenses. As it takes time for a research project to go through the cycle from initial development to sales generating profit, it is expected that opportunities will arise in future; and
- (iv) In order to improve inventory turnover and prepare for 5G development, the Group negotiated the sale of some of its existing inventories at a discount with its customers, which may lead to an increase in the impairment of inventories.

The management remains confident about the prospects of the Group.

The information contained in this announcement is only a preliminary assessment made by the management of the Company based on the unaudited consolidated management accounts of the Group for the twelve months ended 31 December 2017, which have not been audited or reviewed by the Company's auditor. Shareholders of the Company and potential investors are advised to refer to the details in the annual results announcement of the Company for the twelve months ended 31 December 2017 which is expected to be released in late March 2018.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
MOBI Development Co., Ltd.
Hu Xiang
Chairman

Hong Kong, 30 January 2018

As at the date of this announcement, the executive Directors of the Company are Mr. HU Xiang, Mr. LIAO Dong and Mr. CHEN Zhaojun; the non-executive Director is Mr. QU Deqian; and the independent non-executive Directors are Mr. LI Tianshu, Mr. ZHANG Han and Mr. LI Guinian.