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 2018

- Revenue decreased to approximately RMB595.8 million, representing a decrease of approximately 13.4%.

- Gross profit margin decreased from approximately 22.5% in the first half of 2017 to approximately 22.1% in the first half of 2018.

- Profit attributable to owners of the Company was approximately RMB7.409 million representing a decrease of approximately 11.1%.

- Basic earnings per share for the six months ended 30 June 2018 was approximately RMB0.90 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 2018 together with the comparative figures for the corresponding period in 2017. 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 2018

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Revenue	3	**595,766**	687,603
Cost of sales		**(463,854)**	(532,672)
Gross profit		**131,912**	154,931
Other income and expenses	3	**15,736**	20,082
Research and development costs		**(45,379)**	(53,679)
Distribution and selling expenses		**(40,231)**	(46,189)
Administrative expenses		**(46,194)**	(57,886)
Finance costs	4	**(7,739)**	(7,202)
Share of results of associates		**(345)**	(185)
Profit before taxation		**7,760**	9,872
Income tax expenses	5	**(351)**	(1,537)
Profit and the total comprehensive income for the period attributable to owners of the company	6	**7,409**	8,335
Earnings per share			
– basic (RMB cents)	8	**0.90**	1.02
– diluted (RMB cents)	8	**0.90**	0.99

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**405,292**	412,760
Deposits for purchase of plant and equipment		**8,406**	10,029
Prepaid lease payments		**26,433**	26,758
Deferred tax assets		**43,324**	42,858
Intangible assets		**53,522**	46,352
Interest in associates		**1,681**	2,025
		538,658	540,782
Current assets			
Inventories		**424,270**	413,384
Trade receivables	9	**467,737**	485,929
Notes receivable		**259,030**	419,638
Income tax recoverable		**—**	5,553
Prepayments, deposits and other receivables		**151,317**	125,578
Pledged bank balances		**132,901**	166,658
Bank balances and cash		**287,051**	190,464
		1,722,306	1,807,204
Current liabilities			
Trade payables	10	**405,049**	458,248
Notes payable		**316,210**	262,444
Other payables and accruals		**131,406**	148,334
Tax payable		**654**	—
Bank borrowings – due within one year		**237,387**	287,464
Deferred income		**254**	1,452
		1,090,960	1,157,942
Net current assets		**631,346**	649,262
Total assets less current liabilities		**1,170,004**	1,190,044
Non-current liabilities			
Deferred income		**12,809**	12,797
		12,809	12,797
Net assets		**1,157,195**	1,177,247
Capital and reserves			
Issued capital		**6**	6
Reserves		**1,157,189**	1,177,241
Equity attributable to owners of the Company		**1,157,195**	1,177,247

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 2017.

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 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017.

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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property

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 2017 and 2018. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	**378,974**	364,688
Base station RF subsystem	**175,402**	271,454
Coverage extension solution	**41,390**	51,461
	595,766	687,603
Segment results		
Antenna system	**77,903**	97,018
Base station RF subsystem	**(10,144)**	(24,298)
Coverage extension solution	**18,774**	28,532
	86,533	101,252
Reconciliation of segment results to profit before taxation:		
Other income and expenses	**15,736**	20,082
Unallocated corporate expenses	**(86,425)**	(104,075)
Finance costs	**(7,739)**	(7,202)
Share of results of associates	**(345)**	(185)
Profit before taxation	**7,760**	9,872

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segment information		
Depreciation:		
Antenna system	**4,992**	3,538
Base station RF subsystem	**4,477**	5,622
Coverage extension solution	**239**	244
Segment total	**9,708**	9,404
Unallocated amount	**8,197**	6,160
Group total	**17,905**	15,564
Research and development costs:		
Antenna system	**24,263**	27,972
Base station RF subsystem	**19,096**	24,445
Coverage extension solution	**2,020**	1,262
Group total	**45,379**	53,679

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2017 and 2018.

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 2017. The Group does not allocate other income and expenses, unallocated corporate expenses, finance costs and share of results of associates 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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Antenna system		
Multi-band/Multi-system antennas	**136,039**	81,299
WCDMA/FDD-LTE antennas	**89,890**	52,795
Low-band refarming/IoT antennas	**76,973**	139,219
TD/TD-LTE antennas	**27,611**	23,806
Microwave antennas	**13,691**	10,156
GSM/CDMA antennas	**9,567**	11,572
PRE5G antennas	**518**	10,458
Other antennas	**24,685**	35,383
	378,974	364,688
Base station RF subsystem		
WCDMA/FDD-LTE RF devices	**83,343**	46,541
TD/TD-LTE RF devices	**31,860**	39,523
Low-band refarming/IoT RF devices	**31,096**	107,325
GSM/CDMA RF devices	**27,262**	50,901
Other devices	**1,841**	27,164
	175,402	271,454
Coverage extension solution		
Aesthetic antennas	**34,099**	48,822
Other products	**7,291**	2,639
	41,390	51,461
	595,766	687,603

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A[1]	**153,787**	314,632
Customer B[2]	**122,164**	7,284
Customer C[1]	**121,571**	71,923
Customer D[2]	**60,650**	N/A[3]

1 revenue mainly from antenna system and base station RF subsystem

2 revenue mainly from antenna system

3 The corresponding revenue of Customer D did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2017.

Geographical information

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	**403,262**	587,610
Overseas		
Other countries/areas in Asia	**92,110**	38,222
Europe	**69,925**	45,908
Americas	**30,469**	15,863
Subtotal	**192,504**	99,993
	595,766	687,603

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF subsystems and products of coverage extension solution	**595,766**	687,603
Other income and expenses		
Government grants	**5,559**	8,846
Compensation income	**601**	3,968
Rental income	**5,308**	4,391
Interest income	**5,979**	3,207
Others	**(1,711)**	(330)
	15,736	20,082

4. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings – wholly repayable within five years	**7,739**	7,202

5. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	**672**	5,898
Deferred tax	**(321)**	(4,361)
	351	1,537

The Company was incorporated in the Cayman Islands and is exempted from income tax.

The applicable tax rate of MOBI Technology (Hong Kong) Limited ("MOBI HK") is 16.5% of the estimated assessable profit for both periods.

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 2018.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**17,575**	15,564
Amortization of prepaid lease payments	**334**	334
Cost of inventories recognised as expenses	**463,854**	532,671
Net exchange (gain) loss	**(4,604)**	631

7. DIVIDENDS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2016 final dividend of HKD0.04 per ordinary share	**—**	28,436
2017 final dividend of HKD0.04 per ordinary share	**27,677**	—
	27,677	28,436

At the Board meeting held on 22 August 2018, the Directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2018.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company and earnings for purpose of basic and diluted earnings per share	**7,409**	8,335

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**820,704**	819,014
Effect of dilutive potential ordinary shares		
– 2013 share options	**—**	19,438
– 2015 share options	**—**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**820,704**	838,452

The amount of diluted earnings per share for the six months ended 30 June 2018 was the same as basic earnings per share as there was no dilutive potential ordinary shares in existence during the six months ended 30 June 2018. All dilutive potential ordinary shares for the six months ended 30 June 2017 arose from share options.

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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
0 to 30 days	**99,268**	142,581
31 to 60 days	**89,969**	74,198
61 to 90 days	**91,677**	43,556
91 to 120 days	**40,003**	38,296
121 to 180 days	**29,028**	42,056
Over 180 days	**117,792**	145,242
	467,737	485,929

10. TRADE PAYABLES

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
0 to 30 days	**94,940**	117,696
31 to 60 days	**101,141**	156,005
61 to 90 days	**92,895**	73,687
91 to 180 days	**103,572**	58,165
Over 180 days	**12,501**	52,695
	405,049	458,248

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 2018 amounted to approximately RMB595.8 million, representing a decrease of approximately 13.4% as compared with approximately RMB687.6 million in the corresponding period of 2017. In which, sales of antenna system products increased by approximately 3.9% to approximately RMB379.0 million, sales of base station RF subsystem products decreased by approximately 35.4% to approximately RMB175.4 million, and sales of coverage extension solution products also decreased by approximately 19.6% to approximately RMB41.39 million.

Antenna system

The Group's products of antenna system are primarily sold to the domestic network operators and network operators in overseas markets (for example in emerging markets such as Asia, Europe and Americas); whilst a portion of our products of antenna system are sold to operators worldwide by way of network solution provider customers such as ZTE and Nokia.

In the first half of 2018, revenue from sales of antenna system products increased by approximately 3.9% to approximately RMB379.0 million as compared with the corresponding period of 2017 (1H 2017: approximately RMB364.7 million), mainly attributed to the increase in overseas sales. In the first half of 2018, sales of low-band refarming and IoT antennas decreased by approximately 44.7% to approximately RMB76.97 million as compared with the corresponding period of last year, mainly attributed to the delay in the centralized procurement of operators. Revenue from multi-frequency multi-system antenna products increased significantly by approximately 67.3% to approximately RMB136.0 million as compared with the corresponding period of 2017, mainly attributed to the promotion of domestic technology upgrades and increase in the demand of overseas operators. In addition, revenue from TD/TD-LTE antenna products increased by approximately 16.0% to approximately RMB27.61 million as compared with the corresponding period of 2017. Besides, we recorded a significant increase of revenue from the WCDMA/FDD-LTE antenna products, increasing significantly by approximately 70.3% to RMB89.89 million as compared with the corresponding period of 2017, mainly attributed to the significant increase in the Group's 4G antennas for overseas operators and system equipment manufacturers. The Group believes that low-band refarming, Internet of Things, 5G networks and multi-network stations are becoming the trend in networks construction, multi-frequency multi-system antennas are expected to be a major growth driver for antennas business in the coming period. Therefore, such business developments of the Group mentioned above will help to maintain its competitive advantages 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, and technology update speed is also accelerating. Therefore, suppliers capable of developing 4G high performance antennas are far fewer than before. The Group believes that the increase in multi-frequency multi-system antennas is not accidental in the first half of 2018 due to the increasing number of applications and formats and the scarcity of station sites and frequency resources, as well as the need for operators to reduce capital expenditure. The Group held a leading industrial position in the PRC in respect of the development technology and customer testing of new generation high performance antenna, and procured substantially all the share of supply from major customers. In the first half of 2018, the major projects that the Group won the bidding from China Mobile and China Telecom in 2017 has entered into the scale delivery stage. The Group also recorded the highest amount of winning bid in China Unicom's 2018-2019 centralized procurement plan for antenna.

In addition, the Group continued to actively develop the overseas operator market in 2018, and its direct sales to overseas operators are primarily antenna products, which also recorded remarkable breakthroughs in the first half of 2018, in particular, substantial orders have been completed in 2018 with continuous new orders in the first half of 2018. As such, 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 and Nokia, and provides them with a variety of products and solutions, including 3G and 4G RF subsystem products. During the six months ended 30 June 2018, revenue from base station RF subsystem products decreased by approximately 35.4% to approximately RMB175.4 million as compared with the corresponding period of 2017 (1H 2017: approximately RMB271.5 million), mainly due to the impact of the activation of denial order by the United States Department of Commerce on ZTE. The Group believes that base station RF subsystem products would still have continued growth room in the future, which is due to the relief of ZTE's event on the one hand, and continuous promotion of the domestic and global construction 4G networks on the other.

For the six months ended 30 June 2018, revenue from WCDMA/FDD-LTE RF subsystem products increased significantly by approximately 79.1% to approximately RMB83.34 million as compared with the corresponding period of 2017. While the revenue from low-band refarming and IoT RF subsystem products decreased by approximately 71.0% to approximately RMB31.10 million as compared with the corresponding period of 2017. In addition, revenue from GSM/CDMA and TD/TD-LTE RF subsystem products decreased by approximately 46.4%% and approximately 19.4% to approximately RMB27.26 million and approximately RMB31.86 million, respectively as compared with the corresponding period of 2017.

The competition of base station RF subsystem was more intense in the first half of 2018. On one hand, the product technology and quality requirements continued to improve. On the other hand, the price of the product continued to decline. Through the product structural optimisation and continuous cost reduction, the Group's gross profit has been recovered gradually as compared with 2017. In the second quarter of 2018, the sales of the Group's RF subsystem business were affected due to the impact of ZTE's event. However, the Group's growing product competitiveness is recognised by the clients, with further enhanced market share and significant increase in sales to international equipment manufacturers, which offset some impacts of decreased sales mentioned above. With the recovery of ZTE's event and our strengthened position as the core supplier in major equipment customers, the Group believes more opportunities will be brought about for the Group's growth in the second half of 2018.

Coverage extension solution

The Group dedicates to achieve a balanced portfolio of products. In the first half of 2018, revenue from coverage extension solution segment of the Group decreased by approximately 19.6% to approximately RMB41.39 million as compared with the first half of 2017 (1H 2017: approximately RMB51.46 million), mainly attributed to temporary volatility in the procurement of operators in 2018. 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 the first half of 2018, the Group continued the in-depth adjustment to allow the Group to enjoy distinctive competitive strengths in changing market opportunities, and therefore successfully realized the optimization of its revenue structure.

As affected by the subdivision of TD-LTE Phase 5 procurement and the ZTE incident, in the first half of 2018, the Group's sales to the PRC equipment manufacturer customers decreased significantly by approximately 52.0% to approximately RMB154.0 million, and its proportion in sales revenue also dropped by approximately 20.8 percentage points, while proportion of the first half of 2018 in total revenue was approximately 25.9%.

For domestic operators, sales to China Telecommunications and China Unicom in the first half of 2018 decreased by approximately 68.2% and approximately 52.3% to approximately RMB47.92 million and approximately RMB30.76 million, respectively as compared with the first half of 2017, while sales to China Mobile increased significantly by approximately 1,577.2% to approximately RMB122.2 million as compared with the first half of 2017. The tender for centralized procurement of phase 1 China Telecommunications 800M base station antenna was a success. The Group has delivered most of the orders in 2017, and mainly due to the decrease in the sales of the Group to China Telecommunications caused by the delay of the tender for centralized procurement of phase 2 China Telecommunications 800M base station antenna, which will be announced in the second half of 2018. During the China

Unicom 2018-2019 centralized procurement plan of antenna, the Group recorded the highest successful tender price, yet the estimated large-scale deliver will be in motion in the fourth quarter, 2018. Therefore, the Group believes that the decrease of sales to China Unicom in the first half of 2018 was mostly due to the timing of projects. The significant increase of sales to China Mobile was mainly due to large-scale of demand for TD-LTE Phase 5 and NB-IoT base station antenna. At present, the Group actively participated and gained shares in the major demand projects of the major operators.

In addition, the Group's sale volume to international equipment manufactures in the first half of 2018 increase by approximately 66.7% to approximately 135.3 million, and proportion of the first half of 2018 in total revenue increased by approximately 10.9 percentage points to approximately 22.7%. The Group's quality performance was also recognised by international operators, the relationship with clients continued to be strengthened and reinforced. The Group secured many overseas projects with a more reasonable project structure, and was in the climbing stage of mass production, thereby laid a foundation for increase of sale and profit in the second half of 2018.

In the first half of 2018, the Group's direct sales to international operators and other international customers increased significantly by approximately 79.8% to approximately RMB86.96 million, and its present period proportion in total revenue increased to approximately 14.6%. Many overseas clients especially European clients offered opportunities to us in 2017, the Group's products with high price-to-performance ratio are well-received by the clients. In the first half of 2018, apart from the significant year-on-year increase in the business scale of international direct sales, we were also positioned as the core supplier, or even the whole-network exclusive antenna supplier, with some European operators.

Gross Profit

Our gross profit decreased by approximately RMB23 million or approximately 14.8% from approximately RMB154.9 million in the first half of 2017 to approximately RMB131.9 million in the first half of 2018.

During the six months ended 30 June 2018, the Group's overall gross profit margin decreased to approximately 22.1%, as compared with approximately 22.5% of the corresponding period last year. The Group improved the overall gross profit margin through the constantly optimizing products sales portfolio, increasing the proportion of high-tech products in sales and implementing effective control of internal costs.

Other Income and Expenses

Other income and expenses decreased by approximately 21.6% from RMB20.08 million in the first half of 2017 to approximately RMB15.74 million in the first half of 2018, mainly due to a decrease in the government subsidies and a decrease in compensation income received by the Group.

Distribution and Selling Expenses

Distribution and selling expenses decreased by 12.9% from approximately RMB46.19 million in the first half of 2017 to approximately RMB40.23 million in the first half of 2018, primarily due to the decrease in wages, surcharge on wages, rents and charges of water and electricity, business expenditures, travelling expenses and agency fees resulting from the decrease in sales products

Administrative Expenses

Administrative expenses decreased by approximately 20.2% from approximately RMB57.89 million in the first half of 2017 to approximately RMB46.19 million in the same period of 2018, mainly due to (1) the decrease in the average number of employees, which led to the decrease in expenses such as wages, surcharge on wages and rents; (2) the decrease in expenses such as business expenditures, travelling fees, maintenance costs, audit, consulting and advisory fees and legal costs; and (3) the depreciation of Renminbi against HK dollor, US dollar and Euro, which leads to a significant increase in the Group's asset exchange income denominated in those foreign currencies.

Research and Development Costs

For the six months ended 30 June 2018, the Group recognised development costs of approximately RMB11.61 million as capitalization expenses. After the capitalization, research and development costs decreased by approximately 15.5% from approximately RMB53.68 million in the first half of 2017 to approximately RMB45.38 million in the first half of 2018, which was mainly attributable to the decrease in salaries for research and development activities, surcharge on wages, communication costs, business expenditures, low-value consumables and research and development materials costs.

Finance Costs

Finance costs increased by approximately 7.5% from approximately RMB7.20 million in the first half of 2017 to approximately RMB7.74 million in the first half of 2018.

Profit before Taxation

Profit before taxation for the first half of 2018 decreased by approximately RMB2.11 million, or approximately 21.4%, from approximately RMB9.87 million for the corresponding period in 2017 to approximately RMB7.76 million. Net profit margin before tax charges decreased from approximately 1.4% in the first half of 2017 to approximately 1.3% in the first half of 2018.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB1.19 million from approximately RMB1.54 million in the first half of 2017 to approximately RMB0.35 million in the first half of 2018. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 15.6% in the first half of 2017 and approximately 4.5% in the first half of 2018, respectively.

Profit for the Reporting Period

Profit for the first half of 2018 decreased by approximately 11.2% from approximately RMB8.34 million for the corresponding period in 2017 to approximately RMB7.41 million. The Group's net profit margin was approximately 1.2% for the first half of 2018, which is roughly the same as that for the first half of 2017.

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 global 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 2018, the Group will continue to optimize the structural adjustments in the domestic operator market, well implement China Mobile and China Telecommunications' s procurement tender while still maintaining powerful cooperation with China Unicom. In the of Centralized Procurement Plan of Antenna during 2018-2019, the Group was recorded as the biggest winner and large-scale delivery is expected to launch in the fourth quarter of 2018. In addition, in the first half of 2018, the Group will maintain the dominant position in the implementation of projects by Chinese operators including low-band refarming and the delay of centralized procurement of NB-IoT as well as large-scale of centralized procurement plan which is expected to launch in the second half of 2018. Therefore, the

Group believes that the purchase demand for antenna and RF subsystems will remain at a high level for domestic operators in the second half of 2018 and even 2019. Of course, the competition will be more and more intense.

In terms of domestic equipment manufacturers, the Group still possess advantage as a leading supplier with its leading advantage in aspects such as product technologies and customer communications.

As for international equipment manufacturers, in the first half of 2018, the Group continued to maintain an overall growth momentum in sales of antenna and RF subsystem products to Nokia, representing approximately 66.7% in overall growth rate. Meanwhile, the order between the Group and Ericsson is expected to be launched in the second half of 2018.

In addition, in the second half of 2018, demands for networks construction in overseas emerging markets remains robust. After years of efforts, the Group's revenue of direct sales to international operators significantly increased by approximately 79.8% as compared to the previous year, which was recognised by many European customers, and continued to maintain growth momentum. 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 2018.

Products

5G is approaching closer. Pursuant to the Work Report of the Central Government in 2017, it is expected that 5G standard-setting and trial commercial operation will be completed between 2018 and 2020, and will be officially on use since 2020. Certain upgrading opportunities will be provided by 5G, including the demand for the construction of new base station and reconstruction of the roof of existing base station. These will contribute to the increasing demand for high-end antennas, including multifrequency and multi-system antennas. The Company believes that the technical threshold of advanced high-end antennas can be favourable for the Company's competition, while with the increasing complicated 5G radio frequency subsystems, the Company has received some demands from customers. In general, the Company believes that by virtue of the Company's leading position in technologies of 5G antennas and radio frequency subsystems, the Company is in place to capture early opportunities riding on the network construction of 5G.

Globally, the overseas 4G cycle will last much longer than that in China. Although 5G is coming soon, 4G technology will still be the mainstream in the global network construction for a long time in the future. Further technology upgrading of multi-frequency and multi-system antennas will be provided by overseas LTE network construction and multi-network stations, getting closer to limit design. The Company has been accumulating experience for many years in the technology of multi-frequency and multi-system antennas, the Company believes, which enables the Company to accomplish the upgrading of antenna development platform with its capability, catering for the ever-evolving demand for international operators.

For coverage extension products, as the station sites environment in 4G and the upcoming 5G 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 optimize its customer base and structure, adapt strategies of product differentiation based on the technologies and costs, maximize the market opportunities in LTE, 5G and 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 maximize 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 and short-term bank borrowings. 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 2018, the Group had net current assets of approximately RMB631.3 million (31 December 2017: approximately RMB649.3 million) including inventories of approximately RMB424.3 million (31 December 2017: approximately RMB413.4 million), trade and notes receivables of approximately RMB726.8 million (31 December 2017: approximately RMB905.6 million) and trade and notes payables of approximately RMB721.3 million (31 December 2017: approximately RMB720.7 million).

For the six months ended 30 June 2018, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 163 days (six months ended 30 June 2017: approximately 121 days), 248 days (six months ended 30 June 2017: approximately 234 days) and 281 days (six months ended 30 June 2017: approximately 193 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 2018, the Group pledged bank balance with a value of approximately RMB132.9 million to the bank (31 December 2017: approximately RMB166.7 million), cash and bank balances of approximately RMB287.1 million (31 December 2017: approximately RMB190.5 million) and recorded bank borrowings of approximately RMB237.4 million (31 December 2017: approximately RMB287.5 million). The current ratio (current assets divided by current liabilities) increased to approximately 1.58 times as at 30 June 2018 from approximately 1.56 times as at 31 December 2017. The gearing ratio (bank borrowings divided by total assets) was approximately 10.5% as at 30 June 2018, whereas the gearing ratio as at 31 December 2017 was approximately 12.2%.

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 requirements and foreseeable capital expenditures.

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 2018, the Group had approximately 3,053 staff. The total staff costs amounted to approximately RMB133.6 million for the six months ended 30 June 2018. 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 2018, bank balances of approximately RMB132.9 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2018, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB35.95 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 2018.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

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 2018 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 2018.

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 2018 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 2018 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 2018 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, 22 August 2018

As at the date of this announcement, the executive directors are Mr. HU Xiang and Mr. LIAO Dong; the non-executive directors are Mr. QU Deqian and Mr. CHEN Zhaojun and the independent non-executive directors are Mr. LI Tianshu, Mr. ZHANG Han and Ms. GE Xiaojing.