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MOBI 摩比

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 Final Results for the year ended 31 December 2018

- Revenue decreased to approximately RMB1,257.22 million, representing a decrease of approximately 11.6%
- Gross profit margin increased from approximately 17.3% in 2017 to approximately 20.5% in 2018
- Profit attributable to owners of the Company was approximately RMB16.69 million
- Basic earnings per share for the year was approximately RMB2.03 cents
- Final dividend of HK\$0.02 per share proposed

The board (the “Board”) of directors (the “Director”) of MOBI Development Co., Ltd. (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	3	1,257,215	1,422,441
Cost of sales		(999,187)	(1,176,352)
Gross profit		258,028	246,089
Impairment losses, net of reversal		(280)	(7,927)
Other income and expenses	4	41,073	32,374
Research and development costs		(89,065)	(106,747)
Administrative expenses		(103,377)	(118,111)
Distribution and selling expenses		(82,445)	(91,707)
Finance costs	5	(13,178)	(14,568)
Share of results of associates		(735)	(383)
Profit (loss) before tax		10,021	(60,980)
Income tax credit	6	6,668	12,471
Profit (loss) and the total comprehensive income (expense) for the year attributable to owners of the Company	7	<u>16,689</u>	<u>(48,509)</u>
Earnings (loss) per share			
– basic (RMB cents)	9	<u>2.03</u>	<u>(5.92)</u>
– diluted (RMB cents)	9	<u>2.03</u>	<u>(5.92)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current Assets			
Property, plant and equipment		392,348	412,760
Deposits for purchase of plant and equipment		6,270	10,029
Prepaid lease payments		26,091	26,758
Deferred tax assets		50,317	42,858
Intangible assets		61,310	46,352
Interests in associates		1,290	2,025
		<u>537,626</u>	<u>540,782</u>
Current Assets			
Inventories		448,692	413,384
Trade and other receivables	10	843,665	1,030,477
Income tax recoverable		3,704	5,553
Prepaid lease payments		668	668
Pledged bank balances		171,744	166,658
Bank balances and cash		296,341	190,464
		<u>1,764,814</u>	<u>1,807,204</u>
Current Liabilities			
Trade and other payables	11	907,142	868,300
Contract liabilities		22,939	—
Bank borrowings		196,800	287,464
Deferred income		24	1,452
Dividend payable		—	726
		<u>1,126,905</u>	<u>1,157,942</u>
Net Current Assets		<u>637,909</u>	<u>649,262</u>
Total Assets less Current Liabilities		<u>1,175,535</u>	<u>1,190,044</u>
Non-current Liability			
Deferred income		12,773	12,797
		<u>12,773</u>	<u>12,797</u>
Net Assets		<u>1,162,762</u>	<u>1,177,247</u>
Capital and Reserves			
Share capital		6	6
Reserves		1,162,756	1,177,241
Equity attributable to owners of the Company		<u>1,162,762</u>	<u>1,177,247</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2018

1. GENERAL

MOBI Development Co., Ltd. (the “Company”) is a public limited company incorporated in the Cayman Island and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 17 December 2009. The address of its registered office is Maples Corporate Services Limited P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and its principal place of business is 7 Langshan First Road Science and Technology Park, Nanshan District, Shenzhen, Guangdong Province, the PRC.

The principal activities of the Company and its subsidiaries (the “Group”) are production and sale of antennas and radio frequency subsystems.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its principal subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded Hong Kong Accounting Standard (“HKAS”) 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

Upon adoption of HKFRS 15, receipt in advance from customers included in trade and other payables amounting to RMB8,920,000 was reclassified to contract liabilities as at the date of initial application, 1 January 2018.

Other than reclassification of contract liabilities, the adoption of HKFRS 15 does not have material impact on the Group’s financial performance and position.

2.2 HKFRS 9 “Financial Instruments”

In the current year, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earning without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Classification and measurement of financial assets

The directors of the Company have reviewed and assessed the Group’s financial assets at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that there was no material impact on the Group’s consolidated statement of financial position upon adoption of HKFRS 9.

Impairment under ECL model

HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with significant balances and the remaining balances are grouped based on the Group’s internal credit rating.

ECL for other financial assets at amortised cost, including other receivables, pledged bank balances and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, credit loss allowance of approximately RMB4,189,000 and its corresponding deferred tax effect have been recognised against retained earnings. The loss allowance is charged against the respective assets.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group’s reportable and operating segments under HKFRS 8 are as follows:

Antenna system - manufacturing and sales of antenna system and related products

Base station RF subsystem - manufacturing and sales of base station RF subsystem and related products

Coverage extension solution - manufacturing and sales of a wide array of coverage products.

Information of segment revenues and segment results

	2018 RMB'000	2017 RMB'000
Segment revenues		
Antenna system	712,493	754,791
Base station RF subsystem	460,721	592,806
Coverage extension solution	84,001	74,844
	<u>1,257,215</u>	<u>1,422,441</u>
Timing of revenue recognition		
A point in time	<u>1,257,215</u>	<u>1,422,441</u>
Segment results		
Antenna system	144,442	154,147
Base station RF subsystem	(729)	(41,997)
Coverage extension solution	25,250	27,192
Reconciliation of segment results to profit (loss) before tax:	168,963	139,342
Impairment losses, net of reversal	(280)	(7,927)
Other income and expenses	41,073	32,374
Unallocated corporate expenses	(185,822)	(209,818)
Finance costs	(13,178)	(14,568)
Share of results of associates	(735)	(383)
Profit (loss) before tax	<u>10,021</u>	<u>(60,980)</u>
Other segment information		
Depreciation:		
Antenna system	9,649	9,477
Base station RF subsystem	6,239	7,443
Coverage extension solution	1,138	940
Segment total (note)	17,026	17,860
Unallocated amount	26,786	21,103
Group total	<u>43,812</u>	<u>38,963</u>

	2018 RMB'000	2017 RMB'000
Research and development costs:		
Antenna system	45,656	55,406
Base station RF subsystem	38,497	47,698
Coverage extension solution	4,912	3,643
	<hr/>	<hr/>
Group total (note)	89,065	106,747
	<hr/> <hr/>	<hr/> <hr/>
Amortisation		
Antenna system	5,539	3,517
Base station RF subsystem	3,580	2,755
	<hr/>	<hr/>
Group total (note)	9,119	6,272
	<hr/> <hr/>	<hr/> <hr/>
Write-down on inventories		
Base station RF subsystem	1,457	55,228
	<hr/>	<hr/>
Group total (note)	1,457	55,228
	<hr/> <hr/>	<hr/> <hr/>

Note: Amounts included in the measure of segment results.

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales for the year ended 31 December 2018 and 2017.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. The Group does not allocate impairment losses, net of reversal, 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. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

No segment information on assets and liabilities is presented as such information is not reported to the CODM for the purposes of resource allocation and performance assessment.

Disaggregation of revenue from contracts with customers and information about products

Revenues from each group of similar products within the operating segments are as follows:

	2018 RMB'000	2017 RMB'000
<i>Segments</i>		
Antenna system		
Multi-band/Multi-system antennas	293,623	202,841
Low-band refarming/IoT antennas	143,399	235,936
WCDMA/FDD-LTE single-band/multi-band antennas	128,126	118,094
TD-LTE/SCDMA antennas	60,212	47,202
Microwave antennas	22,164	21,374
CDMA/GSM antennas	15,113	34,270
AAU antennas	7,375	16,708
Other antennas	42,481	78,366
	<u>712,493</u>	<u>754,791</u>
<i>Base station RF subsystem</i>		
WCDMA/LTE RF devices	234,963	184,736
Low-band refarming/IoT RF devices	106,141	203,404
TD/TD-LTE RF devices	62,050	79,951
GSM RF devices	47,393	93,055
Other devices	10,174	31,660
	<u>460,721</u>	<u>592,806</u>
<i>Coverage extension solution</i>		
Aesthetic antennas	69,635	70,821
Other products	14,366	4,023
	<u>84,001</u>	<u>74,844</u>
	<u><u>1,257,215</u></u>	<u><u>1,422,441</u></u>

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	RMB'000	RMB'000
Customer A ¹	332,245	655,577
Customer B ²	290,773	N/A ³
Customer C ¹	268,722	230,497
Customer D ²	N/A³	236,795

¹ Revenue from antenna system and base station RF subsystem.

² Revenue from antenna system.

³ The revenue amount of the customers did not contribute over 10% of the total revenue of the Group in the corresponding year.

Geographical information

Information about the Group's revenue from external customers is presented based on the location where the goods are delivered to:

	2018	2017
	RMB'000	RMB'000
The PRC	846,630	1,143,301
Overseas		
Other countries/areas in Asia	188,583	93,079
Europe	129,449	115,648
Americas	92,553	70,413
Subtotal	410,585	279,140
	1,257,215	1,422,441

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

4. OTHER INCOME AND EXPENSES

	2018 RMB'000	2017 RMB'000
Government grants		
– related to expense items (note)	8,407	9,157
– related to assets	1,452	4,620
Rental income	8,770	8,859
Interest income from bank deposits	4,881	3,702
Cash discount from suppliers upon settlement	5,896	837
Gain (loss) on disposals of property, plant and equipment	1,074	(1,138)
Compensation income	—	4,425
Net exchange gain	9,970	—
Others	623	1,912
	<u>41,073</u>	<u>32,374</u>

Note: The amounts represent incentives from various PRC government authorities in connection with the enterprise expansion support, technology advancement support and product development support during the year, which had no conditions imposed by the respective PRC government authorities.

5. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank borrowings	<u>13,178</u>	<u>14,568</u>

6. TAXATION

	2018 RMB'000	2017 RMB'000
Current Tax:		
PRC Enterprise Income Tax (the "EIT")	19	371
Hong Kong Profits Tax	—	55
	<u>19</u>	<u>426</u>
Under provision in prior year:		
EIT	144	—
Deferred tax	(6,831)	(12,897)
	<u>(6,668)</u>	<u>(12,471)</u>

Hong Kong

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

No provision for Hong Kong Profits Tax has been recognised as the Group had no assessable profits arising in Hong Kong for the current year.

The PRC

In September 2014, MOBI Shenzhen was defined by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation (the “Authorities”) as a High and New Technology Enterprise and therefore was entitled to 15% preferential tax rate from the EIT for three years starting from the year ended 31 December 2014, according to the New PRC Enterprise Income Tax Law. On 31 October 2017, the Authorities have further extended the preferential tax rate for another three years starting from the year ended 31 December 2017. Accordingly, the tax rate for MOBI Shenzhen is 15% for the year ended 31 December 2018 and 2017.

In December 2016, MOBI Technologies (Xi An) Co., Ltd. (“MOBI Xian”) was defined by Province Finance Bureau and Administrator of Local Taxation of Municipality and Municipal office of the State Administration of Taxation in Shaan Xi, as a High and New Technology Enterprise and therefore was entitled to 15% preferential tax rate from the EIT for three years starting from the year ended 31 December 2016, according to the New PRC Enterprise Income Tax Law. Accordingly, the tax rate of MOBI Xian is 15% for the year ended 31 December 2018 and 2017.

In November 2016, MOBI Telecommunications Technologies (Ji An) Co., Ltd. (“MOBI Jian”) was defined by Province Finance Bureau and Administrator of Local Taxation of Municipality and Municipal office of the State Administration of Taxation in Jiang Xi, as a High and New Technology Enterprise and therefore was entitled to 15% preferential tax rate from the EIT for three years starting from the year ended 31 December 2016, according to the New PRC Enterprise Income Tax Law. Accordingly, the tax rate of MOBI Jian is 15% for the year ended 31 December 2018 and 2017.

The applicable tax rate of other PRC subsidiaries are 25% for the year ended 31 December 2018 (2017: 25%).

Taxation for the year can be reconciled to profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	RMB'000
Profit (loss) before taxation	10,021	(60,980)
Tax at EIT at 15% (2017: 15%) (note a)	1,503	(9,147)
Tax effect of expenses not deductible for tax purpose	1,635	2,438
Tax effect of income not taxable for tax purpose	(382)	(411)
Tax effect of share of results of associates	168	82
Tax benefit (note b)	(10,724)	(6,177)
Tax effect of tax losses not recognised	2,976	1,513
Effect of different tax rates of group entities	(1,988)	(769)
Under provision in prior year	144	—
	(6,668)	(12,471)

Notes:

- (a) Applicable income tax rate of 15% represents the relevant income tax rate of MOBI Shenzhen, MOBI Jian and MOBI Xian, the major subsidiaries of the Company.
- (b) Pursuant to the relevant tax rules and regulations in the PRC, additional 75% (2017: 50%) of the qualified research and development costs are allowed to claim as PRC income tax credits. Such PRC income tax credits are accounted for deduction from current income tax expenses when relevant conditions are fulfilled.

7. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting) the following items:

	2018	2017
	RMB'000	RMB'000
Directors' remuneration (excluding equity-settled share based payment)	3,084	5,430
Equity-settled share-based payment (including for directors of the Company)	427	2,649
Retirement benefits scheme contributions for other staff	30,843	29,993
Other staff costs	257,235	311,869
	291,589	349,941
Auditors' remuneration		
– audit services	2,551	2,551
– non-audit services	—	—
Operating lease rentals in respect of		
– rented premises	6,937	9,505
Depreciation of property, plant and equipment	43,812	38,963
Amortisation of intangible assets	9,119	6,272
Release of prepaid lease payments	668	668
Cost of inventories recognised as expenses	999,187	1,176,352
Write-down on inventories (included in cost of sales)	1,457	55,228
Net exchange (gain) loss	(9,970)	2,425
(Gain) loss on disposals of property, plant and equipment	(1,074)	1,138
Impairment losses, net of reversal		
– trade receivables	280	7,927

8. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution during the year:		
2017 final dividend of HK\$0.04 per share (2017: 2016 final dividend of HK\$0.04 per share)	<u>27,675</u>	<u>28,442</u>

Subsequent to the end of the reporting period, a final dividend of HK\$0.02 per share respect of the year ended 31 December 2018 amounting to approximately HK\$16,404,000 (equivalent to RMB14,012,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The final dividend of HK\$0.04 per share in respect of the year ended 31 December 2017 was approved by the shareholders in the 2017 annual general meeting on 24 May 2018.

9. EARNINGS (LOSS) PER SHARE

The earning (loss) figures for calculation of the basic and diluted earnings (loss) per share attributable to the ordinary owners of the Company are based on the following data:

	2018 RMB'000	2017 RMB'000
<i>Earnings (loss)</i>		
Profit (loss) for the year and attributable to owners of the Company and earnings (loss) for purpose of basic and diluted earnings (loss) per share	<u>16,689</u>	<u>(48,509)</u>

	2018 '000	2017 '000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>820,489</u>	<u>819,364</u>

For the year ended 31 December 2018, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

For the year ended 31 December 2017, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share option since their exercise would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	543,786	497,589
Less: allowance for credit losses	(14,122)	(11,660)
	<u>529,664</u>	<u>485,929</u>
Notes and bills receivables	163,125	419,638
Rental and utility deposits	1,397	871
Advance to suppliers	37,977	41,616
Value added tax receivables	73,566	53,646
Other receivables and deposits	37,936	28,777
	<u>843,665</u>	<u>1,030,477</u>

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB543,786,000 and RMB497,589,000 respectively.

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 range from 30 to 240 days (2017: 30 to 240 days), for a significant number of the Company's products. For the Group's major customers which are network operators and domestic and overseas wireless network solution providers with good reputation and repayment records, a longer credit term may be extended to them, depending on price, the size of the contract, credibility and reputation of them. 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.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the dates of the control of goods transferred:

	2018 RMB'000	2017 RMB'000
0 to 30 days	152,331	142,581
31 to 60 days	110,780	74,198
61 to 90 days	68,429	43,556
91 to 120 days	48,616	38,296
121 to 180 days	43,516	42,056
Over 180 days	105,992	145,242
	<u>529,664</u>	<u>485,929</u>

Aged analysis of trade receivables which are past due but not impaired:

	2017 RMB'000
0 to 30 days	4,460
31 to 60 days	3,502
61 to 90 days	2,869
91 to 120 days	696
121 to 180 days	641
Over 180 days	9,535
Total	<u>21,703</u>

The Group does not hold any collateral over these balances.

The following is an aged analysis of notes and bills receivable presented based on the dates of the control of goods transferred:

	2018 RMB'000	2017 RMB'000
0 to 30 days	27,925	90,410
31 to 60 days	36,805	65,523
61 to 90 days	31,745	86,292
91 to 120 days	43,775	52,365
Over 120 days	22,875	125,048
	<u>163,125</u>	<u>419,638</u>

As at 31 December 2018, none of the Group's notes and bills receivables is pledged to secure bank borrowings.

As at 31 December 2017, carrying amount of approximately RMB70,657,000 notes and bills receivables are pledged to secure bank borrowings.

11. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	544,732	458,248
Notes and bills payable	258,824	262,444
Payroll payable	26,142	42,580
Payable for purchase of property, plant and equipment	32,248	37,469
Value added taxes payable	21,639	25,283
Receipt in advance	—	8,920
Accrued expenses	8,208	19,934
Others	15,349	13,422
	<u>907,142</u>	<u>868,300</u>

The following is an aged analysis of trade payables presented based on the dates of the control of goods transferred:

	2018	2017
	RMB'000	RMB'000
0 to 30 days	106,320	117,696
31 to 60 days	111,597	156,005
61 to 90 days	98,306	73,687
91 to 180 days	163,096	58,165
Over 180 days	65,413	52,695
	544,732	458,248

Typical credit term of trade payables ranges from 60 to 120 days.

The following is an aged analysis of notes and bills payable presented based on the dates of the control of goods transferred:

	2018	2017
	RMB'000	RMB'000
0 to 30 days	51,185	76,814
31 to 60 days	54,670	71,673
61 to 90 days	—	4,601
Over 90 days	152,969	109,356
	258,824	262,444

Typical credit term of bills payables ranges from 90 to 180 days.

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

When compared with last year, revenue decreased by approximately RMB165.22 million, or approximately 11.6%, to approximately RMB1,257.22 million in 2018 (2017: approximately RMB1,422.44 million).

Sales of antenna system decreased by approximately 5.6% to approximately RMB712.49 million (2017: approximately RMB754.79 million), while sales of base station RF subsystem decreased by approximately 22.3% to approximately RMB460.72 million (2017: approximately RMB592.81 million). In addition, sales of products of coverage extension solution increased by approximately 12.2% to approximately RMB84.00 million (2017: approximately RMB74.84 million).

There were intergenerational upgrades and a certain periodicity in the network construction and equipment investment of China's domestic mobile communications, leading to continuous decline in operators' capital expenditures. Currently, the industry is in the transition period between 4G and 5G. Each cycle change means upgrading of technology, switching of market focuses and major adjustment of customer structure. As such, it is also the reshuffle process of every market competition.

There were fluctuations in the sales of 2018. The Company's revenue decreased by 13.4% in the first half of 2018 as compared with last year, mainly due to the impact of the activation of denial order by the United States Department of Commerce on ZTE in the second quarter of 2018; while in the second half of 2018, the Company's revenue recorded a year-on-year increase, resulting in the decrease of annual revenue was narrowed as compared with the first half of the year, which was mainly attributable to China Mobile's network construction of NB-IoT project as well as the substantial growth of overseas sales.

The Company also believes that as the Company is a leader in the 4G and 5G antenna and RF subsystem product technology in the PRC and by leveraging its product technology and market advantages, it is positioned to generate greater benefits from 4G network building and future 5G network building.

Antenna system

The Group's products of antenna system are primarily sold to the domestic network operators and network operators in overseas 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 2018, the Company's antenna products continued to maintain a leading position in the domestic market, and our continuously improving antenna product technologies and reliability were recognised by more and more international clients.

China Mobile continued the constructing of Narrowband IoT network and LTE network. Capitalizing on advantages in product technology and cost, sales of the Company's TD/TD-LTE antennas increased significantly by approximately 27.6% to approximately RMB60.21 million in 2018 as compared with last year, while sales of WCDMA/FDD-LTE antennas increased by approximately 8.5% to approximately RMB128.13 million. As promoted by both domestic technological upgrade and increasing demands of overseas operators, sales of multi-frequency and multi-system antennas grew greatly by approximately 44.8% to approximately RMB293.62 million. Multi-frequency and multi-system antennas are expected to be a major growth driver for antennas business in the coming period. However, since China Telecom and China Unicom postponed the construction of some networks, and the progress is slower than expected, the procurement demand declined, thus offsetting some growth of above-mentioned markets.

In addition, the Company continued to actively develop the overseas operator market in 2018 and won positive feedback from the customers. The Company's direct sales to overseas operators are primarily antenna products, which also recorded substantial increase in 2018 and remain in good momentum. The Company believes that the upgrades in 5G technology and overseas growth will be the powerhouses for growth in antennas business of the Company in the years to come.

Base station RF subsystem

The Group is a supplier of core RF subsystems for international communication equipment manufacturers, such as ZTE and Nokia, and provides them with a variety of products and solutions. The competition of base station RF subsystem was highly intense in 2018. The Company continued to maintain a leading supplier position among leading global telecommunication equipment manufacturers. The revenue from the Company's base station RF subsystem in 2018 decreased by approximately 22.3% to approximately RMB460.72 million, mainly due to the impact of the activation of denial order by the United States Department of Commerce on ZTE in the second quarter of 2018 as well as China Telecom and China Unicom's delay in network construction and slowdown of demands.

The competition of base station RF subsystem was more intense in 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 optimization 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 recognized 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. The Company believes that, after the

market baptism in 2018, our product competitiveness is better recognized by the clients, with further enhanced market share. In particular, the Company's securing of more overseas projects will bring about more opportunities for the Company's growth in 2019.

Coverage extension solution

In 2018, revenue from the Company's coverage extension solutions increased by approximately 12.2% to approximately RMB84.00 million, mainly due to an increase of approximately 257.1% in its revenue from other constructions to approximately RMB14.37 million. The Company has secured major shares in China Mobile and China Telecom's national bidding exercise for aesthetic antennas, and it has reached the large-scale delivery stage. 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 2018, the Company noted that a change in market pattern resulted in a change in customer revenue structure, and the Company's in-depth cooperation with telecommunication equipment manufacturers and telecommunication operators allowed the Company to enjoy distinctive competitive strengths in changing market opportunities. In addition, the Company proactively made adjustment and took the initiative in the industry cycle and hotspot switching in 2018, and successfully realized the optimization of its revenue structure.

Due to the temporary impact of ZTE's event as well as operators' procurement delay and decline of demands, the Company's sales to the PRC equipment manufacturer customers in 2018 decreased by approximately 49.3% to approximately RMB332.24 million, and its proportion in sales revenue also dropped by approximately 20 percentage points, while the proportion in total revenue was approximately 26.4%. Except that, the Company's sales to other major client groups all recorded growths.

Sales to PRC operators increased by approximately 16.9% to approximately RMB432.56 million, and its proportion in total revenue increased by approximately 8 percentage points to approximately 34.4%. In particular, sales to China Mobile grew significantly from 2017 by approximately 1,184.7% to approximately RMB290.77 million, mainly driven by the large-scale demand for TD-LTE Phase 5 and NB-IoT base station antenna. However, China Telecom and China Unicom postponed some network construction, and the progress is slower than expected. It is expected to rebound and usher in large-scale construction in 2019, which will bring a new round of market opportunities for the Company.

In addition, the Company's sales to international equipment manufactures in 2018 increased by approximately 23.4% to approximately RMB309.60 million, and its proportion in total revenue increased by approximately 7 percentage points to approximately 24.6%. The Company believes that the Company continued to maintain a leading supplier position among leading global

telecommunication equipment manufacturer customers. The Company's quality performance was also recognized by the customers, the relationship with customers continued to be strengthened and reinforced. The Company secured many overseas projects, and were more involved in the 5G project, thereby laying a foundation for increase of sale and profit in 2019.

In 2018, the Company made major breakthroughs in direct sales markets, including overseas operators, and won positive feedback from the customers. In 2018, the Company's direct sales to overseas operators increased by approximately 43.5% to approximately RMB161.04 million, and its proportion in total revenue increased by approximately 5 percentage points to approximately 12.8%. Benefiting from the golden opportunity in international market, and with the increasingly intense international competition, the demands for products with high price-to-performance ratio are growing rapidly, whereas the overseas peers have great difficulties in cost reduction, thus Chinese manufacturers' market share were continuously expanding. In 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. Meantime, the exchange of business and technology between other major European operators and the Company has been further deepened, and there will be continuous breakthroughs in the short lists. We believe that it will bring a new round of growth opportunities in the near future.

The deployment of the Company's products in the network systems of our diversified international customers strengthened worldwide awareness of the brand name of MOBI.

Gross profit

In 2018, gross profit of the Company increased by approximately 4.9% to approximately RMB258.03 million (2017: approximately RMB246.09 million), and gross profit margin increased to approximately 20.5%. 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.

The Company noticed that the technology path in the 3G/4G era is relatively short. As the mature and rapid spread of technology, there will be highly intense price competition in the later stage of technological development, which will impact the profitability of the industry. As 5G is coming soon, the technology evolution path will be longer, and there will be significant increase in technical difficulties, product solutions, quality requirements and application scenarios, which will significantly reduce qualified suppliers and be conducive to the improvement of competitive environment, enabling the Company to more focus on improving product technology. The Company believes that with the continuous evolution of technology products, the Company was full of confidence both in the future recovery and growth of profit margins.

Other income and expenses

Other income and expenses increased to approximately RMB41.07 million, mainly due to the increase in cash discount from suppliers upon settlement as well as net exchange gains of the Company.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 10.1% from approximately RMB91.71 million in 2017 to approximately RMB82.45 million in 2018, mainly due to strengthened cost management and the reduced business activities, resulting in decrease in business expenses, advertising costs, logistics costs, agency fees and consulting expenses.

Administrative expenses

Administrative expenses decreased by approximately 12.5% from approximately RMB118.11 million in 2017 to approximately RMB103.38 million in 2018, mainly due to the decreases in expenses on wages, business expenses, traveling fees, rents and legal costs.

Research and development costs

During the year, the Company recognised development costs of approximately RMB24.08 million as intangible assets. After the capitalisation, development costs decreased by approximately 16.6% from approximately RMB106.75 million in 2017 to approximately RMB89.07 million in 2018, which was mainly attributable to the decrease in salaries for research and development activities, communication costs, business expenditures, transportation expenses and costs of research and development materials. As the development demand of 5G technology and overseas projects increased significantly, the Company's R&D investment is expected to rise rapidly in 2019, which is expected to bring business opportunities in the future.

Finance Costs

Finance costs decreased by approximately 9.5% from approximately RMB14.57 million in 2017 to approximately RMB13.18 million in 2018. In 2018, bank borrowings of the Company decreased by approximately RMB90.66 million to approximately RMB196.80 million.

Profit before Taxation

In 2018, profit before taxation increased to approximately RMB10.02 million (2017: a loss before taxation of approximately RMB60.98 million). Net profit margin before taxation charges increased from approximately -4.3% in 2017 to approximately 0.8% in 2018.

Taxation

Current income tax expenses decreased by approximately 95.5% from approximately RMB0.426 million in 2017 to approximately RMB0.019 million in 2018. Effective tax rates calculated from the tax charged to the profit (loss) before taxation of the Company were approximately 0.2% and approximately -0.7% for 2018 and 2017 respectively.

Profit for the year

Profit for the year 2018 increased by approximately 134.4% to a profit of approximately RMB16.69 million (2017: a loss for the year of approximately RMB48.51 million). The Company's net profit margin was approximately 1.3% in 2018, compared to approximately -3.4% in 2017. The increase in our net profit margin was mainly due to the decrease in distribution and sales expenses, administrative expenses and research and development costs.

Relationships with equipment manufacturers, operators and suppliers

The Group mainly sells antenna products and RF subsystem products to telecommunication equipment manufacturer customers (such as ZTE) who builds complete networks for delivery to telecommunication operators (such as China Mobile), thus enabling the Group to establish close and stable relations with equipment manufacturers.

The Group is also one of the few domestic technology providers offering RF solutions to both global and domestic telecommunication operators (such as China Mobile, China Unicom and China Telecom) and telecommunication equipment manufacturers (such as ZTE and Nokia), which enables the Company to maintain a leading edge in product technology and continuous expansion of customer channels, and thus to build close and solid relations with global and domestic telecommunication operators.

Suppliers of the Group include raw material suppliers and contract manufacturers. The Group has developed solid and steady relationships with many of its key suppliers. Given solid and steady relationships with the suppliers, the Group believes that its suppliers generally provide supplies to the Group with a priority and the Group has not experienced any material shortage or delays in receiving supplies or services from the suppliers during the track record period.

Principal Risks and Uncertainties

A number of factors may affect the results and business operations of the Group. Major risks and uncertainties are summarized below.

Brand/Reputation Risk

The Company has established and maintained its MOBI brand that aims to brand the products of the Group including antenna system, base station RF subsystem and coverage extension solution, primarily targeting leading system equipment manufacturers and telecommunication operators worldwide for provision of its RF solution. If the Group is unsuccessful in promoting its MOBI brand or fails to maintain its brand position and market perception, system equipment manufacturers and telecommunication operators' acceptance of its MOBI brand may erode, and the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Any negative publicity or dispute relating to the Group's MOBI brand, products, sponsorship activities or management, the loss of any award or accreditation associated with the Group's MOBI brand or products or the use of the "MOBI" trademark or brand name by other businesses could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Market Trend

The Group's success depends on the market perception and customer acceptance of MOBI brand and the Group's products, which in large part, rely on the Group's ability to anticipate and respond to different market demands in a timely manner.

If the Group is unable to utilize new technologies and processes, anticipate and respond to market and new technology trends and customer preferences in a timely manner, demand for MOBI products may decrease. The Group's business would also suffer if product creations or modifications do not respond to the needs of customers, are not appropriately timed with market opportunities or are not effectively brought to market. Any failure by the Group to offer products that respond to changing market and customer preferences, or any shift in market or new technologies and processes and customer preferences away from MOBI brand and the Group's products, could adversely affect customers' interest in the Group's products.

Competition

Currently, the Group's antenna system products, base station RF subsystem products and coverage extension solution products face different levels of competition in their respective market sectors. As competitors with similar brand positioning may emerge and intensify the current competition, there can be no assurance that the Group will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider and more diverse distribution network. To compete effectively and maintain the Group's market share, the Group may be forced to, among other actions, reduce prices and increase capital expenditures, which may in turn negatively affect the Group's profit margins, business and financial conditions and results of operations

Environmental Policies and Performance

The Group's production process is carried out with low emissions and low energy consumption, and it will not produce great amount of pollutants. The Group has been endeavoring to ensure that the production process is in compliance with relevant environmental rules and regulations.

In the past, the Group has not been in breach of any relevant environmental rules and regulations and has not been imposed any relevant penalty. It is expected that the future operational activities of the Group would not be affected by the environmental policies. The Group strives for energy conservation and consumption reduction. In reducing the operating costs, the Group also puts efforts in environmental protection.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in mainland China while the Company itself is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in mainland China and Hong Kong. During the year ended 31 December 2018 and up to the date of this report, to the best of our knowledge, the Group has complied with all the relevant laws and regulations in mainland China and Hong Kong, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

FUTURE PROSPECTS

Prospects

Looking forward, the Company will pay attention to both domestic and overseas markets simultaneously and will continue to focus on the area of RF technology for wireless communication, especially on base station RF technology and RF technology for other wireless communications.

The Company believes that the popularity of smart terminals has driven the application of mobile Internet into a rapid development pace and a new wave of technology is upcoming. According to the Three-Year Action Plan for Expanding and Upgrading Information Consumption (2018-2020) issued by the Ministry of Industry and Information Technology and the National Development and Reform Commission in 2018, it requires to promote in-depth coverage of 4G and ensure the commercial use of 5G in 2020, further identifies the importance of information consumption in economic growth, and officially puts forward with target requirements for the commercial use of 5G in 2020. The State Council issued the Guiding Opinions on Further Expanding and Upgrading Information Consumption to Constantly Release Domestic Demand Potentials, which clearly pointed out that it will focus on promoting 5G standard research, technology testing and industrial promotion, and strive to launch commercial use in 2020. It is expected that 5G standard-setting and trial commercial operation will

be completed between 2019 and 2020, and will be officially on commercial use since 2020. 5G is the beginning of a new-round technology wave and the engine of new economic wave, which will bring new opportunities for industrial development and industry consolidation. On the one hand, 5G base stations will increase, including the demand for the construction of new base station and reconstruction of the roof of existing base station. On the other hand, the demand of large-scale antenna arrays for base station antennas and base station RF devices will increase significantly, and the technical threshold and difficulty will also rise. With the Company's leading position in customer channels and 5G technology, the Company is in place to capture early opportunities riding on the development waves of 5G.

The Company has always adhered to the important strategy of international development. In the global arena, 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. With its leading product technology of overseas multi-frequency system, the Company achieved satisfying breakthroughs in multinational operators in 2018 particularly its significant improvement in various aspects such as product technology, quality standards and technical process experiences. In future, the Company will further develop the markets of overseas network operators, continuously enter the short lists of multinational and major regional network operators and continue to increase the Company's share in the global market on a long-term basis. It is foreseeable that the global market share of the Company is still extremely small at present, as such, the continuous expansion of the global market will not only push the way up in periodic development for the next few years, but also achieve sustained growth in a longer period.

Customers

The Company adheres to the visionary target of “becoming a global leading provider of RF technology for mobile communications”, and strives to offer its RF solution to leading system equipment manufacturers and telecommunication operators around the world.

The Company is also one of the few domestic technology providers offering RF solutions to both global system equipment manufacturers and telecommunication operators, which enables the Company to maintain a leading edge in product technology and continuous expansion of customer channels.

In 2018, the Company continued to maintain a leading share in the domestic operator market. We experienced a substantial increase in sales to China Mobile, and obtained a leading share in China Telecom and China Unicom's procurement tender and maintained powerful cooperation. As the network construction progress of China Telecom and China Unicom was slower than expected, the Company will maintain the dominant position in the implementation of projects in 2019, including China Unicom's centralized procurement of 900M antenna and China Telecom's centralized procurement of Phase II 800M base station antenna.

In terms of domestic equipment manufacturers, the Company still possess advantage as a leading supplier with its leading competitiveness in aspects such as product technologies and customer communications. At the same time, the Company is in closer cooperation with domestic equipment manufacturers in 5G technology research and development. Due to the increasing complexity of 5G technology and the improved value of antenna and RF subsystem, the Company's close strategic partnership with domestic equipment manufacturers will further prominent the Company's advantages in the future market.

As for international equipment manufacturers, in 2018, the Company maintained overall growth in sales of antenna and RF subsystem products to Nokia, representing over approximately 16.6% in overall growth rate. In addition, the Group continued to implement orders from Ericsson, leading to revenue growth. It is believed that the Company will make a promising business performance regarding international equipment manufacturers in 2019.

After years of efforts, the Company has been making new breakthroughs in the expansion of overseas direct sales markets. As one of the mobile communications markets with largest procurement scale, most difficult technology and most complex application scenarios in the world, European operators are also the long-term strategic direction of the Company. In 2018, the Company's revenue from direct sales to international operators increased significantly by over approximately 43.5% as compared with last year, which was recognized by many European customers. In 2019, the Company will intensify efforts to promote the technological upgrading and coverage of products to meet the demand of overseas customers. The Company believes that the direct sales growth in international operators will become another strong driving force for the business growth of the Company in the next few years.

Products

5G is approaching closer. In June 2018, the SA function of 5G NR was officially frozen at the 3GPP conference, and the early 5G Release15 version with NSA architecture was completed in December 2017, the Phase I full-featured standardization work of 5G has been completed. In December 2018, the three major domestic operators obtained the test band use permit for nationwide 5G mid-band and low-band test. The determination of the first version of 5G standards and the issuance of band use permit for 5G system test to three major domestic operators will further accelerate the construction of 5G network and the development of industrial chain in China. It is expected that 5G standard-setting and trial commercial operation will be completed in 2019, and will be officially on commercial use since 2020. There will be overall performance in bandwidth, delay and synchronization in the 5G era. It will bring certain stock and increment opportunities, including the demand for the construction of new base station and reconstruction of the roof of existing base station, leading to increasing demand for high-end antennas. The Company believes that benefiting from our strong R&D capabilities and leading position in the industry chain, the technical threshold of advanced high-end antennas can be favorable for the Company's competition. Meantime, with the increasing complicated 5G radio frequency

subsystems, the Company has already established strategic partnership with customers. In general, the Company believes that by virtue of the Company's leading position in technologies of 5G antennas and radio frequency subsystems, and the integrated and source-based development of antenna and RF subsystem, the Company is in place to capture early opportunities riding on the network construction of 5G depending on our technology and customer accumulation these two segments.

Globally, the overseas LTE network construction are still growing vigorously. 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, which is believed to enable 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, given the increasing scarcity of sites for base stations and the operation of Tower Company, the demand for aesthetic antennas by domestic telecom operators will continue to increase substantially. As such, the Company will invest more R&D resources in aesthetic antennas in 2018, and develop towards high-end products. The Company's product technology will contribute to obtaining a leading share and capturing early opportunities.

Conclusion

The Company is one of the few one-stop solution providers of RF technology for global network operators and system equipment manufacturers in the PRC, capitalizing on a wide range of well-known customers and diversified income sources positive for its healthy and stable growth.

The Company believes that the telecommunication equipment industry is expected to see another growth cycle due to the continuous development of 4G network and the forthcoming 5G construction over the next few years. The Company and the Board will continue to optimize the size and mix of customer base and adopt differentiated competition strategies underpinned by technology and cost advantages to maximize the market opportunities in LTE, 5G and next generation wireless technologies, thus enhancing the Company's overall competitiveness to ensure the robust business performance of the Group and create more value for shareholders and the society.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

We have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers and short-term bank borrowings. Our primary uses of cash have been for our increased working capital needs, capital expenditures on purchases of production equipment and acquisition of land use rights for our real properties in Shenzhen, Ji'an and Xi'an in the PRC.

As at 31 December 2018, the Group had net current assets of approximately RMB637.91 million (2017: approximately RMB649.26 million) including inventories of approximately RMB448.69 million (2017: approximately RMB413.38 million), trade receivables and notes receivable of approximately RMB692.79 million (2017: approximately RMB905.57 million) and trade payables and notes payable of approximately RMB803.56 million (2017: approximately RMB720.69 million).

The Group maintained effective management of its working capital. For the year ended 31 December 2018, average inventories turnover, average receivables turnover and average payables turnover are approximately 157 days (2017: 117 days), 232 days (2017: 228 days) and 278 days (2017: 195 days) respectively. We offer credit terms generally accepted in the antenna and base station RF subsystem manufacturing industry to our trade customers. In general, the average credit period for local network operators is longer than global network operators and solution providers.

As at 31 December 2018, the Group recorded a pledged bank balance of approximately RMB171.74 million (2017: approximately RMB166.66 million), cash and bank balances of approximately RMB296.34 million (2017: approximately RMB190.46 million) and recorded bank borrowings of approximately RMB196.80 million (2017: approximately RMB287.46 million). The current ratio (current assets divided by current liabilities) increased from approximately 1.56 times as at 31 December 2017 to approximately 1.57 times as at 31 December 2018. The gearing ratio (bank borrowings divided by total assets) was approximately 8.5% as at 31 December 2018 as compared with a gearing ratio of approximately 12.2% as at 31 December 2017. The interest rates on the Group's bank borrowings are designated as fixed rates.

The Board is of the opinion that the Group has a solid and stable financial position and adequate resources to satisfy necessary operating capital requirements and foreseeable capital expenditures.

FOREIGN EXCHANGE EXPOSURE

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 USD, Euro, CHF and HKD. We currently do not have a foreign currency hedging policy. However, the management monitors and will consider hedging of foreign currency exposure when the need arises.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 3,004 staff. The total staff costs amounted to approximately RMB281.59 million for the year ended 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 31 December 2018, bank balances of approximately RMB171.74 million were mainly pledged to bank to secure bank borrowings and bills payable granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 2018, a total amount of 487,000 shares of the Company had been repurchased at prices ranging from HK\$0.86 per share to HK\$0.93 per share by the Company via Stock Exchange. The Company had subsequently cancelled all these shares repurchased during the year. Save as mentioned above, neither the Company nor the Company or any of its subsidiaries had purchased or sold any of the Company's listed securities during the current year.

COMPLIANCE WITH THE MODEL CODE

The Company adopts the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules governing the Listing of Securities on the Stock Exchange ("Listing Rules") as the code for securities transactions by directors. All Directors have confirmed, following specific enquiries, that they complied with the code of conduct regarding securities transactions by directors set out in the Model Code for the year ended 31 December 2018 and as of the date of this announcement.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding high standards of corporate governance to safeguard the interests of shareholders and enhance the corporate value. The details of the corporate governance practices are set out in the annual report of the Company for the year ended 31 December 2018 ("2018 Annual Report"). The Board believes the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period between 1 January 2018 and 31 December 2018 except for the following deviation:

CODE PROVISION A.2.1

The code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, Mr. Hu Xiang is both the Chairman and Chief Executive Officer of the Company. Mr. Hu is one of the founders of the Group and has extensive experience in the telecommunication industry. Given the current stage of development of our Group, the Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances.

AUDIT COMMITTEE

The Company established the Audit Committee ("Audit Committee") in accordance with Appendix 14 to the Listing Rules with written terms of reference. The Audit Committee comprises three independent non-executive Directors, namely Mr. Zhang Han (Chairman of the Audit Committee), Mr. Li Tianshu and Ms. Ge Xiaojing. The Audit Committee is authorized by the Board to assess matters relating to the financial statements and provide recommendations and advice, the relations between review and external auditors, the Company's financial reports (including reviewing the annual results for the year ended 31 December 2018), internal control and risk management system. The Audit Committee has reviewed the annual results for the year ended 31 December 2018.

DIVIDEND

To share the fruitful results of the Group among all the shareholders, the Board recommends the payment of a final dividend of HK\$0.02 per share out of distributable reserve of the Company in respect of the year ended 31 December 2018. The date of closure of the register of members of the Company regarding the entitlement of final dividend will be published in due course. The proposed final dividend will be paid on 3 July 2019 following approval at the forthcoming annual general meeting (the "AGM").

ANNUAL GENERAL MEETING

The notice of the annual general meeting will be published and dispatched to shareholders in the manner specified in the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND 2018 ANNUAL REPORT

This results announcement is published on the web site of the Stock Exchange (www.hkexnews.hk) and the web site of the Company (www.mobi-antenna.com). The 2018 annual report of the Company will be published on the above web sites and dispatched to shareholders in due course.

On behalf of the Board
MOBI Development Co., Ltd.
Hu Xiang
Chairman

26 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Hu Xiang and Mr. Liao Dong; the non-executive director is Mr. Qu Deqian; and the independent non-executive directors are Mr. Li Tianshu, Mr. Zhang Han and Ms. Ge Xiaojing.