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德勤

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[Date]

The Directors
MOBI Development Co., Ltd.
Piper Jaffray Asia Limited
First Shanghai Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding MOBI Development Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December 2008 and eight months ended 31st August 2009 (the "Relevant Periods"), for inclusion in the Web Proof Information Pack of the Company dated [●] (the "Prospectus") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 16th December 2002.

As at the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of establishment	Issued and fully paid registered capital	Equity interest attributable to the Group					Principal activities
			At 31st December			At 31st August	Date of this report	
			2006	2007	2008	2009		
摩比天線技術(深圳)有限公司 MOBI Antenna Technologies (Shenzhen) Co., Ltd. ("MOBI Shenzhen") (1)	The People's Republic of China (the "PRC") 12th August 1999	RMB30,000,000	100%	100%	100%	100%	100%	Production and sale of antenna systems and radio frequency devices
摩比通訊技術(吉安)有限公司 MOBI Telecommunication Technologies (Ji An) Co., Ltd. ("MOBI Jian") (1)	PRC 23rd May 2006	RMB3,000,000	100%	100%	100%	100%	100%	Production and sale of antenna systems and radio frequency devices
摩比科技(西安)有限公司 MOBI Technologies (Xi An) Co., Ltd. ("MOBI Xian")	PRC 29th April 2008	RMB24,000,000	—	—	100%	100%	100%	Production and sale of antenna systems and radio frequency devices

(1) MOBI Shenzhen and MOBI Jian are directly held by the Company.

The statutory financial statements of MOBI Shenzhen, MOBI Jian and MOBI Xian were prepared under accounting principles and practices generally accepted in the PRC and were audited by the following certified public accountants registered in PRC.

Name of subsidiary	Financial period	Auditors
MOBI Shenzhen	Each of the three years ended 31st December 2008	Deloitte Touche Tohmatsu CPA Ltd. Shenzhen Branch
MOBI Jian	For the period from 23rd May 2006 (date of establishment) to 31st December 2006	Deloitte Touche Tohmatsu CPA Ltd. Shenzhen Branch
	Each of the two years ended 31st December 2008	
MOBI Xian	For the period from 29th April 2008 (date of establishment) to 31st December 2008	Deloitte Touche Tohmatsu CPA Ltd. Shenzhen Branch

Deloitte Touche Tohmatsu CPA Ltd. Shenzhen Branch has audited the financial statements of the Group for the Relevant Periods which are prepared in accordance with Hong Kong Financial Reporting Standards (the "Underlying Financial Statements") with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The consolidated statements of financial position of the Group as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009 and the consolidated statements of comprehensive income and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared from the Underlying Financial Statements and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Web Proof Information Pack.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issues. The directors of the Company are responsible for the contents of the Web Proof Information Pack in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009 and of the consolidated profits and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the eight months ended 31st August 2008 together with the notes thereon have been extracted from the Group's consolidated financial information for the same period (the "31st August 2008 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31st August 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the HKICPA. Our review consists principally of making enquiries of the Group's management and applying analytical and other review procedures to the 31st August 2008 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31st August 2008 Financial Information. Base on our review, nothing has come to our attention that causes us to believe that the 31st August 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section E Notes	**Year ended 31st December**			**Eight months ended 31st August**	
		2006	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	7	360,956	626,806	671,182	426,438	632,367
Cost of sales		(275,888)	(472,674)	(487,884)	(312,593)	(451,873)
Gross profit		85,068	154,132	183,298	113,845	180,494
Other income	8	3,741	2,943	7,103	3,647	3,610
Research and development costs		(15,171)	(24,945)	(34,550)	(21,654)	(21,305)
Distribution and selling expenses		(19,223)	(27,875)	(35,170)	(17,606)	(32,055)
Administrative expenses		(20,762)	(41,819)	(47,401)	(31,766)	(31,181)
Finance costs	9	(153)	(2,899)	(3,803)	(2,932)	(2,664)
Profit before taxation		33,500	59,537	69,477	43,534	96,899
Income tax expense	10	(2,019)	(2,764)	(7,552)	(6,186)	(12,694)
Profit and the total comprehensive income for the year/period and attributable to owners of the Company	11	31,481	56,773	61,925	37,348	84,205
Earnings per share						
- basic	14	7.91 cents	15.21 cents	15.41 cents	8.83 cents	21.38 cents
- diluted	14	5.98 cents	10.78 cents	11.76 cents	7.09 cents	15.99 cents

B. STATEMENTS OF FINANCIAL POSITION

		The Group				The Company			
	Section E Notes	At 31st December			At 31st August	At 31st December			At 31st August
		2006	2007	2008	2009	2006	2007	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets									
Property, plant and equipment	15	70,253	89,029	107,484	117,711	—	—	—	—
Prepaid lease payments	16	4,324	4,233	21,570	21,303	—	—	—	—
Investments in subsidiaries	17	—	—	—	—	30,599	31,492	32,294	32,785
Deferred tax assets	18	—	1,527	6,000	7,384	—	—	—	—
		74,577	94,789	135,054	146,398	30,599	31,492	32,294	32,785
Current assets									
Inventories	19	51,808	127,442	222,049	290,767	—	—	—	—
Trade and other receivables	20	205,882	280,747	362,159	513,902	—	3,444	5,586	5,584
Amount due from a subsidiary	17	—	—	—	—	—	1,839	900	900
Prepaid lease payments	16	98	98	471	453	—	—	—	—
Pledged bank balances	21	1,308	8,006	14,739	41,592	—	—	—	—
Bank balances and cash	21	43,080	131,470	59,067	69,203	16,593	11,960	9,675	8,718
		302,176	547,763	658,485	915,917	16,593	17,243	16,161	15,202
Current liabilities									
Trade and other payables	22	153,327	281,500	380,311	490,370	2	4,447	4,153	3,864
Dividend payable		—	—	429	758	—	—	429	758
Tax payable		495	2,404	8,033	11,325	—	—	—	—
Entrusted loan	21	—	5,000	—	—	—	—	—	—
Short-term bank borrowings	23	7,909	69,500	73,454	157,744	—	—	—	—
Deferred income	24	54	563	563	746	—	—	—	—
Provision	25	500	500	500	500	—	—	—	—
		162,285	359,467	463,290	661,443	2	4,447	4,582	4,622
Net current assets		139,891	188,296	195,195	254,474	16,591	12,796	11,579	10,580
Total assets less current liabilities		214,468	283,085	330,249	400,872	47,190	44,288	43,873	43,365
Non-current liabilities									
Deferred income	24	1,297	3,236	2,673	3,600	—	—	—	—
Net assets		213,171	279,849	327,576	397,272	47,190	44,288	43,873	43,365
Capital and reserves									
Issued capital	26	1	1	1	1	1	1	1	1
Reserves		213,170	279,848	327,575	397,271	47,189	44,287	43,872	43,364
Equity attributable to owners of the Company		213,171	279,849	327,576	397,272	47,190	44,288	43,873	43,365

C. STATEMENTS OF CHANGES IN EQUITY

The Group

	Issued capital	Share premium	Enterprise expansion fund	Statutory surplus reserve fund	Special reserve	Share option reserve (Section E Note 27)	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2006	1	43,042	1,682	—	2,999	2,225	138,175	188,124
Profit and the total comprehensive income for the year	—	—	—	—	—	—	31,481	31,481
Recognition of equity-settled share-based payment	—	—	—	—	—	1,531	—	1,531
Transfers	—	—	1,352	6,500	—	—	(7,852)	—
Dividends paid	—	—	—	—	—	—	(7,965)	(7,965)
At 31st December 2006	1	43,042	3,034	6,500	2,999	3,756	153,839	213,171
Issue of shares upon exercise of warrants	—	9,000	—	—	—	—	—	9,000
Profit and the total comprehensive income for the year	—	—	—	—	—	—	56,773	56,773
Recognition of equity-settled share-based payment	—	—	—	—	—	905	—	905
Transfers	—	—	—	7,664	—	—	(7,664)	—
At 31st December 2007	1	52,042	3,034	14,164	2,999	4,661	202,948	279,849
Profit and the total comprehensive income for the year	—	—	—	—	—	—	61,925	61,925
Recognition of equity-settled share-based payment	—	—	—	—	—	802	—	802
Transfers	—	—	—	2,336	—	—	(2,336)	—
Dividends paid	—	(12,695)	—	—	—	—	(2,305)	(15,000)
At 31st December 2008	1	39,347	3,034	16,500	2,999	5,463	260,232	327,576
Profit and the total comprehensive income for the period	—	—	—	—	—	—	84,205	84,205
Recognition of equity-settled share-based payment	—	—	—	—	—	491	—	491
Dividends paid	—	(851)	—	—	—	—	(14,149)	(15,000)
At 31st August 2009	1	38,496	3,034	16,500	2,999	5,954	330,288	397,272
At 1st January 2008	1	52,042	3,034	14,164	2,999	4,661	202,948	279,849
Profit and the total comprehensive income for the period	—	—	—	—	—	—	37,348	37,348
Recognition of equity-settled share-based payment	—	—	—	—	—	556	—	556
Dividends paid	—	(12,695)	—	—	—	—	(2,305)	(15,000)
At 31st August 2008 (unaudited)	1	39,347	3,034	14,164	2,999	5,217	237,991	302,753

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

Under the Companies Law of the Cayman Islands and in accordance with the Company's Articles of Association, the Company is permitted to pay dividend out of its share premium and its retained profits. During the Relevant Periods, dividends, to the extent in excess of the Company's retained profits, were funded out of its share premium.

Special reserve represents the difference between the paid-in capital of MOBI Shenzhen acquired pursuant to the group restructuring, completed on 19th December 2002, at which time the Company entered into an equity transfer agreement for the acquisition of the entire equity interest in MOBI Shenzhen, and the nominal value of the Company's shares issued in connection with the acquisition.

The Company

	Issued capital	**Share premium**	**Share option reserve** (Section E Note 27)	**(Accumulated loss) Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2006	1	43,042	2,225	(230)	45,038
Profit and the total comprehensive income for the year	—	—	—	8,586	8,586
Recognition of equity-settled share-based payment	—	—	1,531	—	1,531
Dividends paid	—	—	—	(7,965)	(7,965)
At 31st December 2006	1	43,042	3,756	391	47,190
Issue of shares upon exercise of warrants	—	9,000	—	—	9,000
Loss and the total comprehensive expenses for the year	—	—	—	(12,807)	(12,807)
Recognition of equity-settled share-based payment	—	—	905	—	905
At 31st December 2007	1	52,042	4,661	(12,416)	44,288
Profit and the total comprehensive income for the year	—	—	—	13,783	13,783
Recognition of equity-settled share-based payment	—	—	802	—	802
Dividends paid	—	(12,695)	—	(2,305)	(15,000)
At 31st December 2008	1	39,347	5,463	(938)	43,873
Profit and the total comprehensive income for the period	—	—	—	14,001	14,001
Recognition of equity-settled share-based payment	—	—	491	—	491
Dividends paid	—	(851)	—	(14,149)	(15,000)
At 31st August 2009	1	38,496	5,954	(1,086)	43,365

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31st December			Eight months ended 31st August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating activities					
Profit before taxation	33,500	59,537	69,477	43,534	96,899
Adjustments for:					
Equity-settled share-based payment expenses	1,531	905	802	556	491
Depreciation	5,556	9,920	13,471	8,564	9,910
(Reversals of) allowance for doubtful debts	(192)	782	452	452	—
Write-down of inventories	1,130	1	361	200	721
Government grants related to assets	(18)	(112)	(563)	(373)	(920)
Interest income	(810)	(751)	(880)	(457)	(190)
Release of prepaid lease payments	79	91	372	61	285
Loss (gain) on disposal of property, plant and equipment	3	1	(6)	(8)	86
Finance cost	153	2,899	3,803	2,932	2,664
Operating cash flows before movements in working capital	40,932	73,273	87,289	55,461	109,946
Decrease (increase) in inventories	1,422	(75,635)	(94,968)	(74,295)	(69,439)
Increase in trade and other receivables	(81,577)	(75,647)	(81,864)	(40,622)	(151,743)
Increase in trade and other payables	45,590	135,773	99,286	105,011	111,961
Increase in provision	500	—	—	—	—
Cash from operations	6,867	57,764	9,743	45,555	725
Taxation paid	(1,373)	(2,382)	(6,396)	(4,324)	(10,786)
Net cash from (used in) operating activities	5,494	55,382	3,347	41,231	(10,061)
Investing activities					
Interest received	810	751	880	457	190
Government grant related to assets	3,997	924	—	—	1,038
Decrease (increase) in pledged bank balances	5,481	(6,698)	(6,733)	(15,408)	(26,853)
Prepaid lease payments	(1,284)	—	(18,082)	—	—
Purchase of property, plant and equipment	(40,946)	(34,675)	(32,442)	(18,998)	(21,180)
Proceeds on disposals of property, plant and equipment	4	14	47	41	47
Net cash used in investing activities	(31,938)	(39,684)	(56,330)	(33,908)	(46,758)
Financing activities					
Proceeds from shareholders for subscription of series A preferred shares and ordinary shares	—	9,000	—	—	—
Dividends paid	(7,965)	—	(14,571)	(14,571)	(14,671)
Net funds arisen from discounting notes receivable and trade receivables	7,909	16,591	(1,046)	(24,500)	12,155
New entrusted loan raised	—	5,000	—	—	—
Repayment of entrusted loan	—	—	(5,000)	(5,000)	—
New bank loans raised	—	50,000	100,000	75,000	122,135
Repayment of bank borrowings	—	(5,000)	(95,000)	(75,000)	(50,000)
Interest paid	(153)	(2,899)	(3,803)	(2,932)	(2,664)
Net cash (used in) from financing activities	(209)	72,692	(19,420)	(47,003)	66,955
(Decrease) increase in cash and cash equivalents	(26,653)	88,390	(72,403)	(39,680)	10,136
Cash and cash equivalents at 1st January	69,733	43,080	131,470	131,470	59,067
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	43,080	131,470	59,067	91,790	69,203

E. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND BASIC OF PREPARATION OF FINANCIAL INFORMATION

The Company is a limited liability company established in the Cayman Islands on 16th December 2002. The Company is an investment holding company. The principal activities of its subsidiaries are the production and sale of antenna systems and radio frequency devices. The address of its registered office and principal place of business is disclosed in the "Corporate Information" section to the Web Proof Information Pack.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Group has adopted all the new and revised standards, amendments and interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the HKICPA that are effective for the Group's financial year beginning on 1st January 2009. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these New HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretations that are not yet effective. The Group has not early adopted these new standards, amendments and interpretations.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemption for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]

1 Effective for annual periods beginning on or after 1st July 2009

2 Amendments that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate

3 Effective for annual periods beginning on or after 1st January 2011

4 Effective for annual periods beginning on or after 1st February 2010

5 Effective for annual periods beginning on or after 1st January 2010

6 Effective for annual periods beginning on or after 1st January 2013

The directors of the Company anticipate that the application of the new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies below.

The Financial Information has been prepared in accordance with the accounting policies set out below which conform with the Hong Kong Financial Reporting Standards issued by the HKICPA.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the Company's statements of financial position.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and related sales taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year/period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated and the Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets held for trading of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

— it has been acquired principally for the purpose of selling in the near future; or

— it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

At end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a subsidiary, pledged bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables and notes receivable that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-120 days, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

Financial liabilities including trade and other payables, entrusted loan and short-term bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments including the warrants to shareholders issued by the Company are recorded at the proceeds received, net of direct issue cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of each reporting period. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated statement of comprehensive income and are reported separately as 'other income'.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Income taxes

No deferred tax asset has been recognised on the tax losses of RMB6,483,000 as at 31st August 2009 (31st December 2008: RMB4,131,000, 31st December 2007: nil, 31st December 2006: nil) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where it is probable that there is sufficient future profits or taxable temporary differences, deferred tax asset would be recognised.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which include an entrusted loan and short-term bank borrowings disclosed in notes 21 and 23 respectively, and equity attributable to owners of the Company, comprising issued capital, share premium and other reserves.

The Group reviews the capital structure on an ongoing basis. As a part of this review, the Group considers the cost of capital and the risks associated with each class of capital. The Group balances its overall capital structure through issuance of new share issues and new debt. The Group's overall strategy remains unchanged throughout the Relevant Periods.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the significant accounting policies adopted, including the criteria for recognition, the basis of measurement and the bases on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3. Details of these financial instruments are disclosed below:

Categories of financial instruments

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Financial assets				
Loans and receivables (including bank balances and cash)	245,493	406,611	425,386	615,268
Financial liabilities				
Amortised cost	155,263	354,265	450,348	642,745

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Company				
Financial assets				
Loans and receivables (including bank balances and cash)	16,593	13,799	10,575	9,618
Financial liabilities				
Amortised cost	2	4,447	4,582	4,622

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, held-for-trading financial assets, amount due from a subsidiary, pledged bank balances, bank balances and cash, trade and other payables, dividend payable and short-term bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's and the Company's principal financial assets are trade and other receivables, amount due from a subsidiary, bank balances and cash and pledged bank balances, which represent the Group's maximum exposure to credit risk in relation to financial assets at the end of each reporting period. The Group's credit risk is primarily attributable to its trade receivables and notes receivable. The credit risk on trade receivables and notes receivable are concentrated on top five customers of the Group. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual trade receivable and notes receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

The credit risk of the Group and the Company on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

The Group sells most of the products to a small number of customers in the PRC. If the Group is unable to broaden the customer base and expand relationships with major wireless network solution providers and major network operators, the business may continue to be impacted by unanticipated demand fluctuations which can have a negative impact on the revenues and business, and an adverse effect on the results of operations and financial condition.

The Group has a significant concentration of customers. For the eight months ended 31st August 2009 and 31st August and 2008 (unaudited), aggregate sales to the top five customers of the Group accounted for approximately 91.4% and 92.0% (year ended 31st December 2008: 85.8%, 31st December 2007: 90.2%, 31st December 2006: 87.2%) of the total sales. Amount due from them as at 31st August 2009 amounted to approximately RMB284,385,000 (31st December 2008: RMB135,177,000, 31st December 2007: RMB172,159,000, 31st December 2006: RMB110,584,000), representing 90.5% (31st December 2008: 65.3%, 31st December 2007: 83.3%, 31st December 2006: 76.2%) of trade receivables (before making allowance for doubtful debt) as at 31st August 2009. These major customers are PRC network operators and domestic and overseas wireless network solution providers with good reputation.

Currency risk

The Group has foreign currency sales and purchases and certain trade receivables, bank balances, trade payables and borrowings of the Group are denominated in United States dollar ("USD"), Euro ("EUR") and Hong Kong dollar ("HKD"), currencies other than the functional currency of the respective group entities, which expose the Group to foreign currency risk. The Company's bank balances are denominated in USD and HKD. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

The carrying amount of the foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	At 31st December						31st August	
	2006		2007		2008		2009	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group								
USD	33,045	—	73,737	6,343	40,948	6,343	25,528	19,478
EUR	—	—	31,371	—	13,118	—	9,654	—
HKD	68	—	15	290	5	290	217	290
The Company								
USD	16,543	—	11,960	6,343	9,674	6,343	8,504	6,343
HKD	50	—	—	290	1	290	214	290

The following table details the sensitivity to a 5% change in the RMB against USD, EUR and HKD. The 5% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5% change in foreign currency rates. A positive or negative number indicates an increase or a decrease in the post-tax profit/a decrease or an increase in post-tax loss where RMB strengthens against USD, EUR and HKD. For a 5% weakening of RMB against USD, EUR and HKD, there would be an equal and opposite impact of the post-tax profit.

	Year ended 31st December			Eight months ended 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Increase (decrease) in post-tax profit (i)				
If RMB strengthens against USD	(1,404)	(2,862)	(1,443)	(259)
If RMB strengthens against EUR	—	(1,333)	(558)	(410)
If RMB strengthens against HKD	(3)	11	12	3
The Company				
Increase (decrease) in post-tax profit or (increase) decrease in post-tax loss				
If RMB strengthens against USD	(703)	(239)	(114)	(89)
If RMB strengthens against HKD	(2)	12	12	3

(i) This is mainly attributable to the outstanding foreign currency receivables and bank balances at year/period end as a result of the foreign currency sales in the Group.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Interest rate risk

The Group is exposed to fair value interest rate risk which arises from pledged bank balances and fixed rate bank borrowings (note 23). Interest bearing pledged bank balance and bank balances are mainly short-term nature. Therefore, any variations in interest rate will not have a significant impact on the results of the Group.

The Group is also exposed to cash flow interest rate risk in relation to bank balances and variable-rate bank borrowings (note 23).

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Company has no significant interest rate risk.

If interest rate on bank balances had been 30 basis points higher and interest rate on short-term floating rate bank borrowings had been 50 basis points higher and all other variables were held constant, the potential effect on the post-tax profit for the year/period is as follows (if interest rate on bank balances had been 30 basis points lower and interest rate on short-term floating rate bank borrowings had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on post-tax profit):

	Year ended 31st December			**Eight months ended 31st August**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
If the interest rate goes up				
Increase (decrease) in post-tax profit	120	157	(19)	(92)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Banking facilities available to the Group as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009 are approximately RMB37.9 million, RMB169.2 million, RMB371.9 million and RMB 473.9 million respectively.

The Group relies on bank balances and cash, and bank borrowings as a source of liquidity. Undrawn borrowing facilities of the Group as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009 are approximately RMB16,917,000, RMB71,847,000, RMB151,250,000 and RMB162,843,000, respectively.

The following table details the remaining contractual maturity for its financial liabilities. The table includes both interest and principal cash flows.

Liquidity risk table

	Weighted average effective interest rate	Payable on demand	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	Total undiscounted cash flows	Carrying amount at 31st August 2009
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group									
31st August 2009									
Trade and other payables	—	195,142	103,103	112,412	47,586	22,212	3,788	484,243	484,243
Dividend payable	—	758	—	—	—	—	—	758	758
Short-term bank borrowings	4.03	—	35,502	388	45,975	59,451	18,311	159,627	157,744
		195,900	138,605	112,800	93,561	81,663	22,099	644,628	642,745

	Weighted average effective interest rate	Payable on demand	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	Total undiscounted cash flows	Carrying amount at 31st December 2008
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31st December 2008									
Trade and other payables	—	48,921	208,374	37,283	42,956	31,838	7,093	376,465	376,465
Dividend payable	—	429	—	—	—	—	—	429	429
Short-term bank borrowings	5.57	—	28,795	20,323	25,243	186	—	74,547	73,454
		49,350	237,169	57,606	68,199	32,024	7,093	451,441	450,348

	Weighted average effective interest rate	Payable on demand	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	Total undiscounted cash flows	Carrying amount at 31st December 2007
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31st December 2007									
Trade and other payables	—	96,196	78,205	39,878	34,002	20,847	10,637	279,765	279,765
Short-term bank borrowings	5.71	—	355	30,355	24,796	15,344	—	70,850	69,500
Entrusted loan	—	—	—	—	5,000	—	—	5,000	5,000
		96,196	78,560	70,233	63,798	36,191	10,637	355,615	354,265

	Weighted average effective interest rate	Payable on demand	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	180 to 365 days	Total undiscounted cash flows	Carrying amount at 31st December 2006
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31st December 2006									
Trade and other payables	—	40,021	37,284	24,970	33,429	—	11,650	147,354	147,354
Short-term bank borrowings	3.30	—	7,931	—	—	—	—	7,931	7,909
		40,021	45,215	24,970	33,429	—	11,650	155,285	155,263
The Company									
31st August 2009									
Trade and other payables	—	—	1,158	—	—	—	2,706	3,864	3,864
Dividend payable	—	758	—	—	—	—	—	758	758
		758	1,158	—	—	—	2,706	4,622	4,622
31st December 2008									
Trade and other payables	—	—	—	290	—	—	3,863	4,153	4,153
Dividend payable	—	429	—	—	—	—	—	429	429
		429	—	290	—	—	3,863	4,582	4,582
31st December 2007									
Trade and other payables	—	—	295	—	—	—	4,152	4,447	4,447
31st December 2006									
Trade and other payables	—	—	—	—	—	—	2	2	2

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. TURNOVER AND SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies conform with HKFRS, that are regularly reviewed by the chief operating decision maker (the "CODM"), the chief executive officer of the Company, in order to allocate resources to the reportable segments and to assess their performance. The Group does not allocate other income, distribution and selling expenses, administrative expenses, finance costs and income tax expense to individual reporting segments when making decisions about resources to be allocated to the segment and assessing their performance.

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

The information of segment revenues and segment results are as follows:

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Segment revenues					
Antenna system	186,392	268,751	260,543	129,641	276,282
Base station RF subsystem	165,433	340,940	388,675	285,025	274,501
Coverage extension solution	9,131	17,115	21,964	11,772	81,584
	360,956	626,806	671,182	426,438	632,367
Segment results					
Antenna system	38,976	65,325	63,533	31,348	74,696
Base station RF subsystem	28,925	63,107	84,327	61,388	59,044
Coverage extension solution	1,996	755	888	(545)	25,449
	69,897	129,187	148,748	92,191	159,189
Reconciliation of segment results to profit before taxation:					
Other income	3,741	2,943	7,103	3,647	3,610
Other expenses	(39,985)	(69,694)	(82,571)	(49,372)	(63,236)
Finance costs	(153)	(2,899)	(3,803)	(2,932)	(2,664)
Profit before taxation	33,500	59,537	69,477	43,534	96,899
Other information:					
Depreciation					
Antenna system	1,736	2,963	3,427	1,828	2,870
Base station RF subsystem	1,541	3,758	5,113	4,019	2,851
Coverage extension solution	85	189	289	166	847
Segment total	3,362	6,910	8,829	6,013	6,568
Unallocated amount	2,194	3,010	4,642	2,551	3,342
Group total	5,556	9,920	13,471	8,564	9,910
Research and development costs					
Antenna system	6,251	9,704	13,026	8,056	8,799
Base station RF subsystem	7,464	11,999	15,340	9,484	9,289
Coverage extension solution	1,456	3,242	6,184	4,114	3,217
Group total	15,171	24,945	34,550	21,654	21,305

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the Relevant Periods.

The accounting polices of the reportable segments are the same as the Group's accounting policies described in note 3.

Entity-wide disclosures:

Information about products

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

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Antenna System					
CDMA/GSM fixed-downtilt antennas	111,001	116,681	80,663	28,761	81,795
CDMA/GSM remote electric-downtilt antennas	845	14,134	18,728	8,847	35,976
PHS antennas	25,482	8,908	1,957	1,361	90
Yagi antennas	32,172	6,708	1,095	253	276
W-CDMA antennas	1,238	1,287	72,059	44,350	74,404
TD-SCDMA antennas	38	20,823	5,711	4,564	23,488
Microwave antennas	10,203	82,943	62,276	34,167	30,114
Other antennas	5,413	17,267	18,054	7,338	30,139
	186,392	268,751	260,543	129,641	276,282
Base Station RF Subsystem					
CDMA2000 RF devices	16,382	59,049	50,757	28,784	65,151
CDMA RF devices	37,823	34,510	33,323	28,431	17,724
GSM RF devices	105,506	112,910	198,490	139,102	134,540
CDMA/GSM RF devices	230	119,358	95,901	81,449	30,494
TD-SCDMA RF devices	496	9,146	2,016	1,487	1,128
W-CDMA RF devices	4,684	5,228	7,548	5,512	23,014
Other devices	312	739	640	260	2,450
	165,433	340,940	388,675	285,025	274,501
Coverage Extension Solution					
In-door antennas	6,426	4,368	4,085	3,096	721
Aesthetic antennnas	—	3,456	9,372	3,608	36,674
Other antennas	2,705	1,124	4,100	3,142	9,160
Electric cables	—	8,167	4,407	1,926	35,029
	9,131	17,115	21,964	11,772	81,584
	360,956	626,806	671,182	426,438	632,367

No operating results nor discrete financial information in respect of each group of similar products is presented to CODM.

Information about major customers

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

	Year ended 31st December			Eight months ended 31st August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Customer A[1]	166,757	248,520	237,314	120,883	231,864
Customer B[2]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	148,025
Customer C[3]	51,849	150,984	160,833	135,278	90,402
Customer D[2]	N/A[4]	107,439	77,540	59,666	N/A[4]
Customer E[2]	39,961	N/A[4]	N/A[4]	N/A[4]	N/A[4]
Customer F[3]	N/A[4]	N/A[4]	N/A[4]	57,024	N/A[4]

[1] revenue from antenna system and base station RF subsystem

[2] revenue from antenna system

[3] revenue from base station RF subsystem

[4] The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective year/period.

Geographical information

The reporting segments of the Group are mainly operated in the PRC and overseas (mainly Finland and India). No revenue from external customers are attributed to Cayman Islands, country of domicile of the Company. An analysis of the Group's geographical information on revenue attributed to the region on the basis of the customer's location for the Relevant Periods is set out in the following table:

	Year ended 31st December			Eight months ended 31st August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC	319,252	393,271	466,320	261,178	581,072
Overseas					
India	13,905	111,166	79,342	60,033	4,594
Finland	25,492	112,494	102,687	87,522	41,156
Others	2,307	9,875	22,833	17,705	5,545
Subtotal	41,704	233,535	204,862	165,260	51,295
	360,956	626,806	671,182	426,438	632,367

All non-current assets of the Group are located in the PRC.

8. OTHER INCOME

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Government grants					
- related to expense items	1,027	286	3,080	1,154	1,542
- related to assets (note 24)	18	112	563	373	920
Compensation income	71	525	1,158	329	877
Tax refund for re-investment in MOBI Shenzhen and MOBI Jian	—	97	1,058	1,058	—
Interest income	810	751	880	457	190
Sales of materials and scraps	1,731	1,041	131	131	—
Gain on disposals of held-for-trading financial assets	—	—	120	106	—
Gain on disposals of property, plant and equipment	—	—	6	8	—
Others	84	131	107	31	81
	3,741	2,943	7,103	3,647	3,610

9. FINANCE COSTS

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on bank borrowings					
- wholly repayable within five years	153	2,899	3,803	2,932	2,664

10. INCOME TAX EXPENSE

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC income tax	2,019	4,291	12,025	8,272	14,078
Deferred tax (note 18)					
- current year/period	—	(1,527)	(4,491)	(2,104)	(1,384)
- attributable to a change on tax rate	—	—	18	18	—
	2,019	2,764	7,552	6,186	12,694

The Company was incorporated in the Cayman Islands and is exempted from income tax because no assessable profit is generated and it is not subject to other jurisdictions.

MOBI Shenzhen was established in Shenzhen, PRC, with applicable tax rate of 15%. MOBI Shenzhen is a High Technology company defined by Shenzhen Science and Technology Bureau and therefore is entitled to 50% relief from PRC enterprise income tax of 15% for three years starting from 2006. Accordingly, the applicable tax rate for MOBI Shenzhen is 7.5% for the year ended 31st December 2006 and 31st December 2007. On 16th March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China (the "New PRC Enterprise Income Tax Law"), which become effective on 1st January 2008. The New PRC Enterprise Income Tax Law revokes the former preferential income tax treatment granted to MOBI Shenzhen. In 2008, MOBI Shenzhen is a High and New Technology Enterprise company defined by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation and therefore is entitled to 15% preferential tax rate from PRC enterprise income tax for three years starting from 2008. Accordingly, the tax rate for MOBI Shenzhen is 15% for the year ended 31st December 2008 and for the eight months ended 31st August 2009. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

The applicable tax rate of MOBI Jian is 33% before 2007, and according to the New PRC Enterprise Income Tax Law, the applicable tax rate is decreased to 25% from 1st January 2008. In accordance with the tax legislations applicable to the Company, it is entitled to exemption from PRC enterprise income tax for the two years commencing from its first profit making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter, entitled to a 50% relief from PRC enterprise income tax of 25% for the next three years. Accordingly, the tax rate for MOBI Jian is nil for the period from 23th May 2006 (date of establishment) to 31st December 2006 and the year ended 31st December 2007 and 12.5% for the year ended 31st December 2008 and for the eight months ended 31st August 2009.

The applicable tax rate of MOBI Xian is 25% for the period from 28th April 2008 (date of establishment) to 31st December 2008 and for the eight months ended 31st August 2009.

Tax charge for the year/period is reconciled to profit before taxation as follows:

		Year ended 31st December			Eight months ended 31st August	
		2006	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit before taxation		33,500	59,537	69,477	43,534	96,899
Tax at PRC Enterprise Income Tax at 15%	(a)	5,025	8,931	10,421	6,530	14,535
Tax effect of expenses not deductible for tax purpose	(b)	1,693	835	435	2,119	329
Tax effect of income not taxable for tax purpose		(3)	(17)	(84)	(56)	(138)
Tax benefit	(c)	(1,138)	(1,871)	(2,440)	(1,624)	(1,425)
Effect of tax exemption granted to MOBI Jian		(3,385)	(2,231)	—	—	—
Effect of 50% tax relief granted to MOBI Shenzhen and MOBI Jian		(2,019)	(4,100)	(3,558)	(1,359)	(3,520)
Tax effect of tax losses not recognised of MOBI Xian		—	—	620	57	353
Effect of different tax rates of group entities		1,846	1,217	2,849	1,088	2,815
Effect of excess of applicable tax rate for deferred tax over current tax on deductible temporary difference		—	—	(709)	(587)	(255)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate		—	—	18	18	—
Tax charge for the year		2,019	2,764	7,552	6,186	12,694

Notes:

(a) Applicable income tax rate of 15% represents the relevant income tax rate of MOBI Shenzhen, the major subsidiary of the Group.

(b) The amounts mainly represent the tax effect of certain expenses such as advertisements and entertainment which exceed the deductible limit specified by the local tax bureau.

(c) Tax benefit represents an incentive scheme that, in addition to the research and development cost which is deductible for tax purpose, further 50% of the research and development cost is deductible.

11. PROFIT AND THE TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit for the year/period has been arrived at after charging (crediting):					
Directors' remuneration (note 12)	1,436	1,093	1,495	857	917
Retirement benefits scheme contributions	1,086	1,694	2,523	2,013	3,350
Other staff costs (a)	35,317	59,211	87,337	57,474	65,625
Equity-settled share-based payment expenses	1,126	889	802	556	491
	38,965	62,887	92,157	60,900	70,383
Auditors' remuneration	380	2,149	372	—	—
Operating lease rentals in respect of					
- prepaid lease payments	79	91	372	61	285
- rented premises	3,920	4,916	4,320	2,136	3,057
Depreciation	5,556	9,920	13,471	8,564	9,910
Cost of inventories recognised as expenses	275,888	472,674	487,884	312,593	451,873
(Reversals of) allowance for doubtful debts (included in administrative expenses) (b)	(192)	782	452	452	—
Write-down of inventories (included in administrative expenses)	1,130	1	361	200	721
Loss on disposals of property, plant and equipment	3	1	—	—	86
Net exchange loss	1,164	4,613	6,596	6,376	178

Notes:

(a) Included in other staff costs is RMB655,000, RMB1,449,000, RMB2,205,000, RMB1,502,000 (unaudited) and RMB1,328,000 for the three years ended 31st December 2008 and the eight months ended 31st August 2008 and 31st August 2009, respectively, represents the rental expense for the staff quarter.

(b) Reversal of allowance for bad and doubtful debts was made when the recoverable amount of those debts on which allowance had previously been made is estimated to be greater than its carrying amount.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The aggregate amounts of emoluments paid and payable to the executive directors and non-executive directors of the Company by the Group during the Relevant Periods are as follows:

For the year ended 31st December 2006

	Fees	Retirement benefits scheme contributions	Other emoluments (mainly basic salaries, bonus and allowances)	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Hu Xiang	—	—	542	195	737
Wang Guoying	—	6	483	83	572
Non-executive directors					
Qu Deqian	—	—	—	29	29
Xing Qibin	—	—	—	29	29
Yan Andrew Y	—	—	—	32	32
Yang Dong	—	—	—	32	32
Huang Jinsheng	—	—	—	5	5
	—	6	1,025	405	1,436

For the year ended 31st December 2007

	Fees	Retirement benefits scheme contributions	Other emoluments (mainly basic salaries, bonus and allowances)	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Hu Xiang	—	—	540	8	548
Wang Guoying	—	7	476	4	487
Non-executive directors					
Qu Deqian	—	—	—	1	1
Xing Qibin	—	—	—	1	1
Yan Andrew Y	—	—	—	1	1
Yang Dong	—	—	24	1	25
Li Tianshu	—	—	30	—	30
	—	7	1,070	16	1,093

For the year ended 31st December 2008

	Fees	Retirement benefits scheme contributions	Other emoluments (mainly basic salaries, bonus and allowances)	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Hu Xiang	—	—	758	—	758
Wang Guoying	—	10	643	—	653
Non-executive directors					
Qu Deqian	—	—	—	—	—
Xing Qibin	—	—	—	—	—
Yan Andrew Y	—	—	—	—	—
Yang Dong	—	—	24	—	24
Li Tianshu	—	—	60	—	60
	—	10	1,485	—	1,495

For the eight months ended 31st August 2008 (unaudited)

	Fees	Retirement benefits scheme contributions	Other emoluments (mainly basic salaries, bonus and allowances)	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Hu Xiang	—	—	429	—	429
Wang Guoying	—	6	366	—	372
Non-executive directors					
Qu Deqian	—	—	—	—	—
Xing Qibin	—	—	—	—	—
Yan Andrew Y	—	—	—	—	—
Yang Dong	—	—	16	—	16
Li Tianshu	—	—	40	—	40
	—	6	851	—	857

	For the eight months ended 31st August 2009				
	Fees	**Retirement benefits scheme contributions**	**Other emoluments (mainly basic salaries, bonus and allowances)**	**Equity-settled share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Hu Xiang	—	—	450	—	450
Wang Guoying	—	8	403	—	411
Non-executive directors					
Qu Deqian	—	—	—	—	—
Xing Qibin	—	—	—	—	—
Yan Andrew Y	—	—	—	—	—
Yang Dong	—	—	16	—	16
Li Tianshu	—	—	40	—	40
	—	8	909	—	917

During the Relevant Periods, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the five highest paid individuals has waived any emoluments during the Relevant Periods.

The five highest paid individuals included two directors for the three years ended 31st December 2006, 2007, 2008 and for the eight months ended 31st August 2008 (unaudited) and 31st August 2009, details of whose emoluments are set out above. The emoluments of the remaining three highest paid individuals for the three years ended 31st December 2006, 2007, 2008 and for the eight months ended 31st August 2008 (unaudited) and 31st August 2009 are as follows:

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employees					
- basic salaries and allowances	1,587	1,684	1,474	760	944
- retirement benefits scheme contributions	3	13	27	17	24
- equity-settled share-based payment expenses	149	65	44	28	26
	1,739	1,762	1,545	805	994

Their emoluments were individually within RMB1,000,000.

13. DIVIDENDS

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividends recognised as distribution during the year/period:					
2005 dividend of RMB 0.07965 per ordinary share	5,934	—	—	—	—
2007 first dividend of RMB0.1424 per ordinary share	—	—	10,641	10,641	—
2007 second dividend of RMB0.1424 per ordinary share	—	—	—	—	10,641
2005 dividend of RMB 0.07965 per Series A preferred share	2,031	—	—	—	—
2007 first dividend of RMB0.1424 per Series A preferred share	—	—	4,359	4,359	—
2007 second dividend of RMB0.1424 per Series A preferred share	—	—	—	—	4,359
	7,965	—	15,000	15,000	15,000

14. EARNINGS PER SHARE

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

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Earnings					
Profit for the year/period and attributable to owners of the Company	31,481	56,773	61,925	37,348	84,205
Less:					
2005 dividend of RMB 0.07965 per Series A preferred share	(2,031)	—	—	—	—
2007 first dividend of RMB0.1424 per Series A preferred share	—	—	(4,359)	(4,359)	—
2007 second dividend of RMB0.1424 per Series A preferred share	—	—	—	—	(4,359)
Earnings for purpose of basic earnings per share	29,450	56,773	57,566	32,989	79,846

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Effect of dilutive potential ordinary shares:					
2005 dividend of RMB 0.07965 per Series A preferred share	2,031	—	—	—	—
2007 first dividend of RMB0.1424 per Series A preferred share	—	—	4,359	4,359	—
2007 second dividend of RMB0.1424 per Series A preferred share	—	—	—	—	4,359
Earnings for purpose of diluted earnings per share	31,481	56,773	61,925	37,348	84,205
	'000	*'000*	*'000*	*'000*	*'000*
Number of shares					
Weighted average number of ordinary shares for the purposes of basic earnings per share	372,500	373,232	373,543	373,543	373,543
Effect of dilutive potential ordinary shares					
- Conversion of preferred shares	127,500	145,385	153,000	153,000	153,000
- Warrant for purchases of ordinary shares	1,043	311	—	—	—
- Warrant for purchases of Series A preferred shares	25,500	7,615	—	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	526,543	526,543	526,543	526,543	526,543

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding 2003 and 2005 share options since the effect of their exercise on earnings per share is insignificant.

The weighted average number of ordinary shares for the purpose of earnings per share has been prepared based on the assumption that the capitalisation issue pursuant to a shareholder resolution passed on 25th November 2009 had been effective on 1st January 2006.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Furniture fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1st January 2006	—	2,402	1,474	1,609	25,504	6,874	37,863
Additions	—	1,102	197	759	7,834	39,674	49,566
Transfer	46,548	—	—	—	—	(46,548)	—
Disposals	—	(72)	—	—	—	—	(72)
At 31st December 2006	46,548	3,432	1,671	2,368	33,338	—	87,357
Additions	—	2,856	287	571	23,672	1,325	28,711
Transfer	864	—	—	—	—	(864)	—
Disposals	—	(34)	—	—	—	—	(34)
At 31st December 2007	47,412	6,254	1,958	2,939	57,010	461	116,034
Additions	10,758	1,485	—	276	17,654	1,794	31,967
Disposals	—	(70)	—	(68)	(34)	—	(172)
At 31st December 2008	58,170	7,669	1,958	3,147	74,630	2,255	147,829
Additions	417	834	681	674	11,895	5,769	20,270
Disposals	—	(373)	(197)	—	(194)	(15)	(779)
At 31st August 2009	58,587	8,130	2,442	3,821	86,331	8,009	167,320
ACCUMULATED DEPRECIATION							
At 1st January 2006	—	1,009	1,466	745	8,393	—	11,613
Provided for the year	—	412	82	348	4,714	—	5,556
Eliminated on disposals	—	(65)	—	—	—	—	(65)
At 31st December 2006	—	1,356	1,548	1,093	13,107	—	17,104
Provided for the year	1,422	978	121	427	6,972	—	9,920
Eliminated on disposals	—	(19)	—	—	—	—	(19)
At 31st December 2007	1,422	2,315	1,669	1,520	20,079	—	27,005
Provided for the year	1,575	1,208	144	439	10,105	—	13,471
Eliminated on disposals	—	(34)	—	(65)	(32)	—	(131)
At 31st December 2008	2,997	3,489	1,813	1,894	30,152	—	40,345
Provided for the period	1,156	840	23	266	7,625	—	9,910
Eliminated on disposals	—	(334)	(197)	—	(115)	—	(646)
At 31st August 2009	4,153	3,995	1,639	2,160	37,662	—	49,609
NET BOOK VALUES							
At 31st December 2006	46,548	2,076	123	1,275	20,231	—	70,253
At 31st December 2007	45,990	3,939	289	1,419	36,931	461	89,029
At 31st December 2008	55,173	4,180	145	1,253	44,478	2,255	107,484
At 31st August 2009	54,434	4,135	803	1,661	48,669	8,009	117,711

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using straight-line method, at the following rates per annum:

Buildings	Over the shorter of the term of lease or 50 years
Furniture, fixtures and equipment	19%
Leasehold improvements	50%
Motor vehicles	19%
Plant and machinery	9.5% - 19%

The Group's buildings which are situated in the PRC are erected on medium-term land use rights.

16. PREPAID LEASE PAYMENTS

The Group

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights in the PRC				
Medium term lease	4,422	4,331	22,041	21,756
Analysed for reporting purposes as:				
Current portion	98	98	471	453
Non-current portion	4,324	4,233	21,570	21,303
	4,422	4,331	22,041	21,756

17. INVESTMENTS IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

The Company

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at cost:				
Capital contribution	30,599	31,492	32,294	32,785

The capital contribution at 31st August 2009 included amount of share-based payment of RMB4,785,000 (31st December 2008: RMB4,294,000, 31st December 2007: RMB3,492,000, 31st December 2006: RMB2,599,000) in respect of share options of the Company granted to the employees of a subsidiary for their service provided to that subsidiary.

The amount due from a subsidiary is unsecured, interest-free and expected to recover within 12 months from the respective reporting period end.

18. DEFERRED TAX

The Group

	Allowance for inventories	Excess of accounting depreciation over tax depreciation	Allowance for doubtful debts	Provision	Unrealised profit of inter-company sales	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2006 and 31st December 2006	—	—	—	—	—	—
Credit to consolidated statement of comprehensive income for the year	—	1,297	140	90	—	1,527
At 31st December 2007	—	1,297	140	90	—	1,527
Credit to consolidated statement of comprehensive income for the year	—	1,771	69	—	2,651	4,491
Effect of change in tax rate	—	—	(3)	(15)	—	(18)
At 31st December 2008	—	3,068	206	75	2,651	6,000
Credit to consolidated statement of comprehensive income for the period	108	638	—	—	638	1,384
At 31st August 2009	108	3,706	206	75	3,289	7,384

The deferred tax asset as shown on the consolidated statement of financial position is nil, RMB1,527,000, RMB6,000,000, RMB7,384,000 as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009 respectively.

Unrecognised deferred tax assets:

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses with expiry in:				
- 2013	—	—	4,131	4,131
- 2014	—	—	—	2,352
	—	—	4,131	6,483

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated statement of comprehensive income in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as at 31st August 2009 amounting to RMB172,354,000 (31st December 2008: RMB81,435,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company

The Company was incorporated in the Cayman Islands and there is no temporary difference as it is exempted from income tax in the Cayman Islands and elsewhere in other jurisdictions.

19. INVENTORIES

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Raw materials	12,840	46,534	50,192	63,612
Work-in-progress	3,926	19,020	20,303	35,336
Finished goods	35,042	61,888	151,554	191,819
	51,808	127,442	222,049	290,767

20. TRADE AND OTHER RECEIVABLES

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Trade receivables	145,057	206,707	206,895	314,096
Less: allowance for doubtful debts	(137)	(919)	(1,371)	(1,371)
	144,920	205,788	205,524	312,725
Notes receivable	54,612	58,565	142,319	187,688
Rental and utility deposits	597	893	778	894
Advance to suppliers	3,837	3,366	4,994	3,585
Other receivables and prepayments	1,916	12,135	8,544	9,010
	205,882	280,747	362,159	513,902
The Company				
Other receivables and prepayments	—	3,444	5,586	5,584

Movement in the allowance for doubtful debts

	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Balance at beginning of year/period	329	137	919	919	1,371
Amounts recovered during the year/period	(192)	—	—	—	—
Increase in the allowance recognised in profit or loss	—	782	452	452	—
Balance at end of the year/period	137	919	1,371	1,371	1,371

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB137,000, RMB919,000, RMB1,371,000 and RMB1,371,000 as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009, respectively, which have defaulted on payment. The Company considers that the recoverability of these receivables is low and therefore allowance for bad and doubtful debts has been provided. The Group does not hold any collateral over these balances.

The Group offers credit terms generally accepted in the antenna systems, base station RF subsystem and coverage extension solution manufacturing industry to its trade customers, which for a significant number of the Company's products is around 30 to 120 days, 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.

The following is an aged analysis based on invoice date of trade receivables net of impairment losses at the end of each reporting period:

	At 31st December			At 31st August
Age	**2006**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	63,375	66,350	85,521	77,470
31 to 60 days	30,135	75,335	39,049	71,558
61 to 90 days	10,589	16,543	14,036	38,724
91 to 120 days	6,102	5,287	36,017	34,731
121 to 180 days	4,651	8,140	5,161	24,923
Over 180 days	30,068	34,133	25,740	65,319
	144,920	205,788	205,524	312,725

The following is an aged analysis based on invoice date of notes receivables at the end of each reporting period:

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	28,587	20,595	39,603	41,637
31 to 60 days	12,909	21,770	28,876	31,649
61 to 90 days	13,116	15,200	26,834	35,608
Over 90 days	—	1,000	47,006	78,794
	54,612	58,565	142,319	187,688

Ageing based on credit period of trade receivables which are past due but not impaired:

	At 31st December			At 31st August
Age	**2006**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	—	101	88	—
31 to 60 days	74	53	20	168
61 to 90 days	505	36	353	414
90 to 120 days	1,400	—	8	95
121 to 180 days	8	1,733	1,198	101
Over 180 days	4,103	1,680	1,767	3,916
Total	6,090	3,603	3,434	4,694

The Group does not hold any collateral over these balances. The average age of these receivables as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009 is 122 days, 102 days, 113 days and 99 days respectively.

The Group's trade receivables of RMB9,009,000, RMB53,212,000, RMB39,056,000 and RMB24,924,000 at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009, respectively, were denominated in USD and EUR, foreign currencies of respective group entities.

21. PLEDGED BANK BALANCES/ BANK BALANCES AND CASH/ ENTRUSTED LOAN

The Group's pledged bank balances represent bank deposits for 3 months to one year which carry fixed rate interest ranging from 1.71% to 3.33% per annum during the Relevant Periods. They are pledged to banks to secure banking facilities granted to the Group and notes payables of the Group. Included in the 31st December 2007 balance is a RMB2,000,000 bank deposit pledged to a bank for an interest-free entrusted loan of RMB5,000,000 from 深圳市高新技術投資擔保有限公司, an independent third party to MOBI Shenzhen (as a high technology company engaged in the industry sector in Shenzhen), to facilitate the development of the technology of MOBI Shenzhen. The interest-free entrusted loan was settled on 22nd March 2008.

The Group's bank balances and cash comprise cash and bank deposits which carry interest at prevailing market rates ranging from 0.36% to 0.81% per annum during the Relevant Periods.

Certain of the Group's pledged bank balance and bank balances and cash with an aggregate amount of RMB20,285,000, RMB87,565,000, RMB58,794,000 and RMB100,318,000 at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009, respectively, were denominated in RMB which is not a freely convertible currency in the international market. The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

Certain of the Group's bank balances and cash of RMB24,103,000, RMB51,911,000, RMB15,012,000 and RMB10,477,000 at 31st December 2006, 31st December, 2007, 31st December 2008 and 31st August 2009, respectively, were denominated in USD, EUR and HKD, foreign currencies of respective group entities.

The Company's bank balances and cash of RMB16,593,000, RMB11,960,000, RMB9,675,000 and RMB8,718,000 at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009, respectively, were denominated in USD and HKD, foreign currencies of the Company.

22. TRADE AND OTHER PAYABLES

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Trade payables	108,758	230,303	198,476	315,460
Notes payable	13,083	17,558	138,123	135,613
Payroll payable	11,671	13,389	15,585	14,361
Payable for acquisition of property, plant and equipment	8,669	2,705	2,230	1,320
Other taxes payable	3,898	165	3,799	2,414
Accrued expenses	3,456	15,168	17,250	16,515
Refundable government grants (note)	2,628	992	992	—
Others	1,164	1,220	3,856	4,687
	153,327	281,500	380,311	490,370
The Company				
Accrued expenses	—	4,445	4,151	3,862
Others	2	2	2	2
	2	4,447	4,153	3,864

Note: Refundable government grants are recorded as other payables as the unutilised amount would be refunded to the government. When the Group has utilised the amount for depreciable assets, the related amount is then transferred to and presented as deferred income and released to consolidated statement of comprehensive income in accordance with the Group's accounting policy.

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

	At 31st December			At 31st August
Age	**2006**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
0 to 30 days	29,552	29,679	63,063	40,636
31 to 60 days	29,730	37,009	36,677	40,382
61 to 90 days	17,730	38,336	40,099	42,713
91 to 180 days	29,867	124,244	55,409	153,479
Over 180 days	1,879	1,035	3,228	38,250
	108,758	230,303	198,476	315,460

Typical credit term of trade payable is 90 days.

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

	At 31st December			At 31st August
Age	**2006**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
0 to 30 days	10,783	4,500	35,087	—
31 to 60 days	—	6,500	48,644	54,659
61 to 90 days	2,300	6,558	54,392	80,954
	13,083	17,558	138,123	135,613

All notes payable are repayable within 90 days.

23. SHORT-TERM BANK BORROWINGS

The Group

	At 31st December			At 31st August
Categories	**2006**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured				
- Fixed rate	7,909	24,500	23,454	35,609
- Floating rate	—	—	—	13,135
Unsecured				
- Fixed rate	—	—	10,000	59,000
- Floating rate	—	45,000	40,000	50,000
	7,909	69,500	73,454	157,744

The only bank borrowings denominated in foreign currency are the short-term secured floating rate bank borrowings denominated in USD and carry at prevailing market interest rates of 1.39% per annum during the Relevant Periods. The short-term secured fixed rate bank borrowings carry fixed interest rates ranging from 1.39% to 7.67% per annum during the Relevant Periods. The short-term secured bank borrowing as at 31st August, 2009 are secured by notes receivable and bank deposit of approximately RMB48,744,000 (31st December 2008: by notes receivable of approximately RMB23,454,000, 31st December 2007: by receivables of approximately RMB24,500,000, 31st December 2006: by notes receivable of approximately RMB7,909,000). The related trade and note receivables were discounted with recourse and therefore, they have not been derecognised at 31st December 2006, 2007 and 2008 and 31st August 2009.

The short-term unsecured floating rate bank borrowings carry at prevailing market interest rates from The People's Bank of China of 4.62% to 7.47% per annum during the Relevant Periods. The short-term unsecured fixed rate bank borrowings and carry fixed interest rates ranging from 4.62% to 6.12% per annum during the Relevant Periods.

24. DEFERRED INCOME

Deferred income represents non-recurring and non-conditional government grants received by MOBI Shenzhen and MOBI Jian in 2006, 2007, 2008 and 2009 from 深圳市財政局, 深圳市貿易工業局, 深圳市科技和資訊局, 吉安市人民政府, 吉安市財政局 and 深圳市南山區科學技術局, respectively, for acquisition and improvement of property, plant and equipment.

The deferred income is released to the consolidated statement of comprehensive income over the expected useful life of the relevant assets. Movements of deferred income during the Relevant Periods are as follows:

The Group

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grant related to assets				
At beginning of the year/period	—	1,351	3,799	3,236
Additions	1,369	2,560	—	2,030
Realised to consolidated statement of comprehensive income	(18)	(112)	(563)	(920)
At end of the year/period	1,351	3,799	3,236	4,346
Analysed for reporting purposes as:				
Current portion	54	563	563	746
Non-current portion	1,297	3,236	2,673	3,600
	1,351	3,799	3,236	4,346

25. PROVISION

In December 2004, MOBI Shenzhen was alleged to have infringed a utility model patent of Guangdong Tongyu Communications Equipment Co., Ltd. (formerly known as Zhong Shan Tongyu Communications Equipment Co., Ltd.) ("Tongyu"), which utility model patent is a type of waterproof feeder structure for omni-directional antennas. Subsequently, MOBI Shenzhen made an application to the Patent Review Committee to invalidate that utility model patent. Thereafter, the Patent Review Committee invalidated Tongyu's utility model patent in part, which ruling was then upheld by The

Beijing First Intermediate People's Court and The Beijing Superior People's Court, respectively, within their jurisdiction. On 3rd September 2007, the Intermediate People's Court of Shenzhen issued a first instance verdict in the corresponding civil proceedings dismissing the allegation of patent infringement. On 30th September 2007, an appeal against such first instance verdict was filed with The Guangdong Superior People's Court. On 23rd June 2008, The Guangdong Superior People's Court affirmed the first instance decision and dismissed the allegation of patent infringement. MOBI Shenzhen was found not liable for any damages. On 15th September 2009, Tongyu filed an application for retrial with The Supreme People's Court of the PRC. On 2nd November 2009, MOBI Shenzhen received a notice date 16th October 2009 from The Supreme People's Court of the PRC stating that the said retrial application was accepted. In accordance with the retrial application, up to date of report, Tongyu seeked to revoke the final civil judgment granted by the Guangdong Superior People's Court. Based on a legal opinion from a PRC lawyer that, the maximum amount of damage will not exceed that as claimed by Tongyu should the amount of profits of MOBI Shenzhen from the utility model is quantifiable or the maximum amount of damage will not exceed RMB500,000. The directors are in the view that the above said profits is not quantifiable and, accordingly, the Group may be exposed to a maximum potential liability of RMB500,000 in relation to the legal proceedings and a provision of RMB500,000 was made as at 31st December 2006, 2007 and 2008, and 31st August 2009.

26. ISSUED CAPITAL

The Group and the Company

	Number of shares	Amount
	'000	*USD*
Authorised		
Ordinary shares of par value of USD0.000001 each	750,000	750.00
Series A preferred shares of par value of USD0.000001 each	50,000	50.00
At 1st January 2006, 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009	800,000	800.00

	Number of shares	Amount
	'000	*USD*
Issued and fully paid		
Ordinary shares of par value of USD0.000001 each	74,500	74.50
Series A preferred shares of par value of USD0.000001 each	25,500	25.50
At 1st January 2006 and 31st December 2006	100,000	100.00
Increase on 20th April 2007:		
Ordinary shares of par value of USD0.000001 each	209	0.21
Series A preferred shares of par value of USD0.000001 each	5,100	5.10
	5,309	5.31
At 31st December 2007, 31st December 2008 and 31st August 2009	105,309	105.31

	RMB'000
Shown in the statements of financial position as at 31st December 2006, 31st December 2007, 31st December 2008 and 31st August 2009	1

Pursuant to a shareholder resolution passed on 25th November 2009, the following shall take place on the listing date: (i) 30,599,999 Series A preferred shares shall be converted into 30,599,999 ordinary shares of a nominal value of USD0.000001 each; (ii) 19,400,001 unissued Series A preferred shares shall be re-designated as ordinary shares of a nominal value of USD0.000001 each; and (iii) the authorised share capital of the Company shall be increased from USD800 divided into 800,000,000 ordinary shares of par value of USD0.000001 each to USD2,000 by the creation of an additional 1,200,000,000 ordinary shares of par value of USD0.000001 each.

Series A preferred shares

Series A preferred shares shall be convertible at any time at the option of the holder into ordinary shares at RMB1.7647059 for each preferred share. Series A preferred shares shall also be automatically converted to ordinary shares at RMB1.7647059 per share upon a fully underwritten initial public offering of not less than USD6 million (before deduction of underwriters commissions and expenses) and with a pre-offering valuation of the Company of not less than USD30 million, which is estimated by the preferred shareholder by reference to the valuations of other publicly traded companies in the same sector of the Company, and the listing of the Company's ordinary shares on an internationally reputable stock exchange reasonably acceptable to holders of Series A preferred shares ("Qualified IPO").

The holder of each Series A preferred share has the number of votes equal to the number of ordinary shares into which such Series A preferred share could be converted to at the record date, or if no record date is established, at the date the vote is taken or at the date when any written consent of the shareholders is solicited.

No dividends or other distributions shall be made or declared in property, or in any other shares of the Company, with respect to any other class or series of shares of the Company apart from the Series A preferred shares, unless and until dividends or distributions in like amount have been paid or distributed in full on the Series A preferred shares on an as converted basis.

In the event of any liquidation, dissolution or winding up of the Company, the Series A preferred shareholder shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of the ordinary shares or any other class or series of shares, an amount equal to RMB1.7647059 for each Series A preferred share and, in addition, all declared but unpaid dividends ("Series A Preference Amount"). After full payment of the Series A Preference Amount in respect of each Series A preferred share, any remaining assets or surplus funds of the Company shall be distributed to holders of ordinary shares and Series A preferred shares pro rata on an as converted basis.

Warrants

On the date of incorporation of the Company, the Company issued to the Series A preferred shareholder a warrant, under which the Series A preferred shareholder is entitled to purchase from the Company additional Series A preferred shares equals to aggregate par value of RMB9,000,000 divided by the exercise price, subject to anti-dilutive adjustment from time to time. The initial exercise price is RMB1.7647059. The Company also issued warrants to an ordinary shareholder, under which the ordinary shareholder is entitled to purchase from the Company 208,600 ordinary shares at a nominal price.

During the year ended 31st December 2007, the Series A preferred shareholder exercised its right to subscribe for 5,099,999 Series A preferred shares in the Company at the total purchase price of RMB9,000,000 (with an exercise price of RMB1.7647059 per share), and the ordinary shareholders exercised their rights to subscribe for 208,600 ordinary shares in the Company at the nominal price.

27. SHARE-BASED PAYMENT TRANSACTIONS

Share options were granted on 15th January 2003 ("2003 Option") and 31st August 2005 ("2005 Option") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 15th January 2013 and 31st August 2015 respectively. Under the share option schemes of the Company, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to an individual consultant or advisor who renders or has rendered bona fide services to the Company.

At 31st August 2009, the number of ordinary shares in respect of which options had been granted and remained outstanding under 2003 Option and 2005 Option was 5,124,000 (31st December 2008: 5,265,000, 31st December 2007: 5,332,500, 31st December 2006: 5,332,500), representing 4.87% (31st December 2008:5.00%, 31st December 2007: 5.06%, 31st December 2006: 5.33%) of the total ordinary and preferred shares of the Company in issue at that date.

No consideration is payable on the grant of an option. Options may be exercised at any time from 12 months after the date of grant of the share options to the tenth anniversary of the date of grant.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercisable period	Exercise price	Fair value at grant date
2003 Option	15/01/2003	15/01/2003 to 14/01/2007	15/01/2004 to 14/01/2013	RMB1.76	RMB0.95
2005 Option	31/08/2005	31/08/2005 to 30/08/2009	31/08/2006 to 30/08/2015	RMB3.66	RMB1.36

The following table discloses movements of the Company's share options held by eligible persons during the period from 1st January 2009 to 31st August 2009:

Option type	Outstanding at 1.1.2009	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 31.8.2009
2003 Option	2,750,000	—	—	—	—	2,750,000
2005 Option	2,515,500	—	—	141,500	—	2,374,000
	5,265,500	—	—	141,500	—	5,124,000
Exercisable at the end of the period						5,124,000
Exercise price						
2003 Option	RMB1.76	—	—	—	—	RMB1.76
2005 Option	RMB3.66	—	—	RMB3.66	—	RMB3.66

The following table discloses movements of the Company's share options held by eligible persons during 2008:

Option type	Outstanding at 1.1.2008	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 31.12.2008
2003 Option	2,750,000	—	—	—	—	2,750,000
2005 Option	2,582,500	—	—	67,000	—	2,515,500
	5,332,500	—	—	67,000	—	5,265,500
Exercisable at the end of the year						4,835,083
Exercise price						
2003 Option	RMB1.76	—	—	—	—	RMB1.76
2005 Option	RMB3.66	—	—	RMB3.66	—	RMB3.66

The following table discloses movements of the Company's share options held by eligible persons during 2007:

Option type	Outstanding at 1.1.2007	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 31.12.2007
2003 Option	2,750,000	—	—	—	—	2,750,000
2005 Option	2,582,500	—	—	—	—	2,582,500
	5,332,500	—	—	—	—	5,332,500
Exercisable at the end of the year						4,256,458
Exercise price						
2003 Option	RMB1.76	—	—	—	—	RMB1.76
2005 Option	RMB3.66	—	—	—	—	RMB3.66

The following table discloses movements of the Company's share options held by eligible persons during 2006:

Option type	Outstanding at 1.1.2006	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 31.12.2006
2003 Option	2,750,000	—	—	—	—	2,750,000
2005 Option	2,582,500	—	—	—	—	2,582,500
	5,332,500	—	—	—	—	5,332,500
Exercisable at the end of the year						3,610,833
Exercise price						
2003 Option	RMB1.76	—	—	—	—	RMB1.76
2005 Option	RMB3.66	—	—	—	—	RMB3.66

The 2003 Option and 2005 Option were granted on 15th January 2003 and 31st August 2005, respectively, with estimated fair value on the grant date of RMB0.95 and RMB1.36, respectively.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2003 Option	**2005 Option**
Fair value of ordinary share	RMB1.76	RMB3.66
Exercise price	RMB1.76	RMB3.66
Expected volatility	78.00%	45.00%
Expected life	5 years	6 years
Risk-free rate	3.91%	4.57%
Expected dividend yield	3.00%	3.00%

Expected volatility was determined by using the historical volatility of the comparable companies' share prices over the previous 260 trading days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

In relation to share options granted by the Company, the Group recognised the total expense of RMB1,531,000, RMB905,000 and RMB802,000 for each of the three years ended 31st December 2008 respectively and RMB556,000 (unaudited) and RMB491,000 for the eight months ended 31st August 2008 and the eight months ended 31st August 2009 respectively as research and development costs, distribution and selling expenses as well as administrative expenses.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of each reporting period, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	At 31st December			**At 31st August**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,223	4,152	5,031	9,403
In the second to fifth year inclusive	5,170	3,463	1,848	26,657
	10,393	7,615	6,879	36,060

Leases are negotiated and rentals are fixed for lease terms of one to five years.

29. CAPITAL COMMITMENTS

	At 31st December			At 31st August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of property, plant and equipment	2,681	3,703	3,310	2,459

30. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. MOBI Shenzhen, MOBI Jian and MOBI Xian are required to contribute 10%, 20% and 20%, respectively, of the payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of these entities with respect to the retirement benefit scheme is to make the specified contributions.

The retirement benefits scheme contributions made by the Group amounted to RMB1,092,000, RMB1,701,000 and RMB2,533,000 for each of the three years ended 31st December 2008 respectively and RMB2,019,000 (unaudited) and RMB 3,358,000 for the eight months ended 31st August 2008 and the eight months ended 31st August 2009 respectively.

31. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group has the following significant transactions with Shenzhen Weixiantong Shebei Co., Ltd. (深圳市中興維先通設備有限公司) which is controlled by the following common controlling shareholders of the Company:

	Equity interest in the Company during the period from 1st January 2006 to 19th April 2007	Equity interest in the Company during the period from 20th April 2007 to 31st August 2009	Equity interest in Shenzhen Weixiantong Shebei Co., Ltd. during the Relevant Periods
	%	%	%
Hou Weigui	7.51	7.17	18.00
Yin Yimin	2.09	2.00	5.00
Zhu Jinwen	2.09	2.00	5.00
Jiang Shumin	1.25	1.19	3.00
Shi Lirong	1.25	1.19	3.00
Tang Xi	1.25	1.19	3.00
Wang Honghai	1.25	1.19	3.00
Yu Wancheng	1.25	1.19	3.00
Zhou Susu	1.25	1.19	3.00
Zhu Weimin	1.25	1.19	3.00
Wei Zaisheng	1.25	1.19	3.00
Wei Xingmin	1.25	1.19	3.00
He Shiyou	0.88	0.84	2.10
Hu Xiang	5.50	5.23	2.10
Hong Bo	0.83	0.80	2.00
Liang Huming	0.83	0.80	2.00
Qu Deqian	0.83	0.80	2.00
Zhang Yan	0.83	0.80	2.00
Han Wei	0.83	0.80	2.00
Lai Yongxiang	0.83	0.80	2.00
Song Zhongshen	0.83	0.80	2.00
Gao Xueping	0.75	0.72	1.80
Bai Qi	0.63	0.60	1.50
Cui Yulong	0.63	0.60	1.50
Li Li	0.63	0.60	1.50
Wei Wangmin	0.63	0.60	1.50
Xing Qibin	0.63	0.60	1.50
Yao Dongwei	0.63	0.60	1.50
Zhang Dengsheng	0.63	0.60	1.50
Cheng Xiao	0.63	0.60	1.50
Hou Li	0.63	0.60	1.50
Li Yuehua	0.63	0.60	1.50
Shen Guohong	0.63	0.60	1.50
Tian Weibing	0.63	0.60	1.50
Xu Hanwu	0.63	0.60	1.50
Zhang Chuanhai	0.63	0.60	1.50
Zhang Diande	0.63	0.60	1.50
Zhou Qingjun	0.63	0.60	1.50
Liu Weihua	0.42	0.40	1.00
Total	46.38	44.27	100.00

The significant transaction between the Group and Shenzhen Weixiantong Shebei Co., Ltd. are as follows:

Nature of transactions	Year ended 31st December			Eight months ended 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Purchases of property, plant and equipment	550	—	150	—	—
Rental expenses	—	—	—	—	436

Related party balances	At 31st December			At 31st August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other receivables	—	101	209	209	209
Other payables	552	2	2	2	438

Note: The balance is unsecured, interest-free and payable on demand.

(b) For the year ended 31st December 2006 and the period from 1st January to 15th June 2007, the Group has the following significant transactions with Shenzhen Kang Cheng Jixie Shebei Co., Ltd. (深圳市康鋮機械設備有限公司) which are under common key management personnel, namely Hu Xiang, Wang Guo Ying and Shao Zhi Guo, of the Group until 15th June 2007:

Nature of transactions	For the year ended 31st December 2006	Period from 1st January to 15th June 2007
	RMB'000	*RMB'000*
Purchases of raw materials	64,954	37,586

Related party balances	At 31st December 2006
	RMB'000
Trade payables	38,928

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31st December			Eight months ended 31st August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Short-term benefits	1,494	1,531	2,121	1,211	1,277
Post-employment benefits	8	13	19	11	16
Equity-settled share-based payment expenses	405	20	—	—	—
	1,907	1,564	2,140	1,222	1,293

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

The retirement benefits scheme contributions of one director were paid by Shenzhen Weixiantong Shebei Co., Ltd. during the Relevant Periods.

(d) Directors' remuneration

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31st December 2009 is expected to be [RMB1,650,000].

F. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31st August 2009:

(1) Pursuant to a shareholder resolution passed on 25th November 2009, the following shall take place on the listing date: (i) 30,599,999 Series A preferred shares shall be converted into 30,599,999 ordinary shares of a nominal value of USD0.000001 each; (ii) 19,400,001 unissued Series A preferred shares shall be re-designated as ordinary shares of a nominal value of USD0.000001 each; and (iii) the authorised share capital of the Company shall be increased from USD800 divided into 800,000,000 ordinary shares of par value of USD0.000001 each to USD2,000 by the creation of an additional 1,200,000,000 ordinary shares of par value of USD0.000001 each.

(2) Pursuant to a shareholder resolution passed on 25th November 2009, the directors were authorised to capitalise an aggregate amount of USD421.23 standing to the credit of the share premium of the Company and to appropriate such amount as capital to pay up in full at par 421,234,396 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on the date immediately before the listing date in proportion to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued shares.

G. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31st August 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong