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MOBI 摩比

MOBI Development Co., Ltd.

摩 比 發 展 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 947)

Announcement of Interim Results for the six months ended 30 June 2016

- Revenue increased to approximately RMB904.3 million, representing an increase of approximately 10.1%.

- Gross profit margin increased from approximately 23.1% in the first half of 2015 to approximately 23.2% in the first half of 2016.

- Profit attributable to owners of the Company was approximately RMB58.25 million representing an increase of approximately 11.4%.

- Basic earnings per share for the six months ended 30 June 2016 was approximately RMB7.11 cents.

The board (the "Board") of directors (the "Directors") of MOBI Development Co., Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	**For the six months ended 30 June** **2016** **(Unaudited)** **RMB'000**	2015 (Unaudited) RMB'000
Revenue	3	**904,259**	821,216
Cost of sales		**(694,085)**	(631,572)
Gross profit		**210,174**	189,644
Other income and expenses	3	**11,148**	3,321
Research and development costs		**(42,958)**	(36,338)
Distribution and selling expenses		**(49,540)**	(41,529)
Administrative expenses		**(55,269)**	(44,960)
Finance costs	4	**(6,119)**	(10,929)
Profit before taxation		**67,436**	59,209
Income tax expenses	5	**(9,185)**	(6,916)
Profit and the total comprehensive income for the period attributable to owners of the company	6	**58,251**	52,293
Earnings per share			
– basic (RMB cents)	8	**7.11**	6.59
– diluted (RMB cents)	8	**7.11**	6.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	**30 June 2016 (Unaudited) RMB'000**	31 December 2015 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**387,671**	384,693
Deposits for purchase of plant and equipment		**9,509**	10,566
Prepaid lease payments		**27,768**	28,068
Deferred tax assets		**26,111**	23,103
Intangible assets		**27,836**	30,443
		478,895	476,873
Current assets			
Inventories		**333,743**	363,221
Trade receivables	9	**617,900**	545,817
Notes receivable		**559,382**	382,586
Prepayments, deposits and other receivables		**70,712**	51,416
Pledged bank balances		**120,182**	166,836
Bank balances and cash		**235,539**	259,154
		1,937,458	1,769,030
Current liabilities			
Trade payables	10	**406,037**	397,654
Notes payable		**339,447**	229,819
Other payables and accruals		**176,865**	148,984
Tax payable		**8,300**	8,115
Bank borrowings – due within one year		**158,620**	167,739
Deferred income		**4,595**	4,598
		1,093,864	956,909
Net current assets		**843,594**	812,121
Total assets less current liabilities		**1,322,489**	1,288,994
Non-current liabilities			
Bank borrowings – due after one year		**70,000**	70,000
Deferred income		**14,183**	14,493
		84,183	84,493
Net assets		**1,238,306**	1,204,501
Capital and reserves			
Issued capital		**6**	6
Reserves		**1,238,300**	1,204,495
Equity attributable to owners of the Company		**1,238,306**	1,204,501

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The directors of the Company anticipate that the application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments to report segment information for the six months period ended 30 June 2015 and 2016. Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment. Information reported to the CODM is focused on three principal categories of products - antenna system, base station RF subsystem and coverage extension solution.

No measure of segment assets and liabilities are reported to the CODM for performance assessment and resource allocation. Accordingly, no segment assets and liabilities are presented.

The Group's reportable segments under HKFRS 8 are as follows:

Antenna system - manufacture and sale of antenna system and related products

Base station RF subsystem - manufacture and sale of base station RF subsystem and related products

Coverage extension solution - manufacture and sale of a wide array of coverage products

Information of segment revenues and segment results

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	**622,602**	403,692
Base station RF subsystem	**249,026**	382,054
Coverage extension solution	**32,631**	35,470
	904,259	821,216
Segment results		
Antenna system	**164,004**	96,207
Base station RF subsystem	**2,765**	50,009
Coverage extension solution	**447**	7,090
	167,216	153,306
Reconciliation of segment results to profit before taxation:		
Other income and expenses	**11,148**	3,321
Unallocated expenses	**(104,809)**	(86,489)
Finance costs	**(6,119)**	(10,929)
Profit before taxation	**67,436**	59,209

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segment information		
Depreciation:		
Antenna system	**3,696**	3,037
Base station RF subsystem	**9,983**	7,829
Coverage extension solution	**399**	526
Segment total	**14,078**	11,392
Unallocated amount	**4,734**	6,143
Group total	**18,812**	17,535
Research and development costs:		
Antenna system	**20,930**	17,031
Base station RF subsystem	**19,925**	16,995
Coverage extension solution	**2,103**	2,312
Group total	**42,958**	36,338

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2015 and 2016.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the annual report of the Company for the year ended 31 December 2015. The Group does not allocate other income, distribution and selling expenses, administrative expenses, finance costs and income tax expenses to individual reportable segments when making decisions about resources to be allocated to the segments and assessing their performance.

Entity-wide disclosures:

Information about products

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Antenna system		
TD/TD-LTE antennas[(1)]	**270,106**	113,255
WCDMA/FDD-LTE (narrow band) antennas[(1)]	**180,617**	158,784
Multi-band/Multi-system antennas[(1)]	**51,313**	14,568
CDMA/GSM antennas[(1)]	**34,613**	25,529
FDD-LTE antennas[(4)]	**19,452**	34,521
Microwave antennas	**12,381**	36,324
Other antennas	**54,120**	20,711
	622,602	403,692
Base station RF subsystem		
LTE RF devices[(4)]	**120,650**	232,808
GSM RF devices[(2)]	**51,711**	65,540
W-CDMA RF devices[(3)]	**20,030**	59,312
TD-SCDMA RF devices[(3)]	**15,445**	5,101
CDMA 2000 RF devices[(3)]	**1,958**	44
CDMA RF devices[(2)]	**1,274**	682
Other devices	**37,958**	18,567
	249,026	382,054
Coverage extension solution		
Aesthetic antennas[(1)]	**28,100**	28,497
Other products	**4,531**	6,973
	32,631	35,470
	904,259	821,216

1 Dual/Multiple usage
2 2G related products
3 3G related products
4 4G related products

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

Information about major customers

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A[1]	**498,499**	402,759
Customer B[2]	**162,372**	156,125

1 revenue mainly from antenna system and base station RF subsystem

2 revenue mainly from antenna system and coverage extension solution

Geographical information

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	**807,984**	731,980
Overseas		
Thailand	**21,841**	24,313
Mexico	**17,387**	15,875
Others	**57,047**	49,048
Subtotal	**96,275**	89,236
	904,259	821,216

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

3. REVENUE, OTHER INCOME AND EXPENSES

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of wireless communication antenna systems, base station RF subsystems and products of coverage extension solution	**904,259**	821,216
Other income and expenses		
Government grants	**8,367**	2,578
Compensation income	**368**	36
Interest income	**1,575**	1,353
Others	**838**	(646)
	11,148	3,321

4. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings – wholly repayable within five years	**6,119**	10,929

5. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	**12,192**	8,396
Deferred tax	**(3,007)**	(1,480)
	9,185	6,916

The Company was incorporated in the Cayman Islands and is exempted from income tax. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

MOBI Antenna Technologies (Shenzhen) Co., Ltd. ("MOBI Shenzhen") was established in Shenzhen, PRC, with applicable tax rate of 15%.

The applicable tax rate of MOBI Telecommunications Technologies (Ji An) Co., Ltd. ("MOBI Jian") and MOBI Technologies (Xi An) Co., Ltd. ("MOBI Xian") are 15% for the six months ended 30 June 2016.

6. PROFIT AND THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit and the total comprehensive income for the period has been arrived at after charging (crediting) the following items:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**18,812**	17,535
Amortization of prepaid lease payments	**334**	330
Cost of inventories recognised as expenses	**687,188**	626,955
Net exchange (gain)	**(350)**	(834)

7. DIVIDENDS

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2014 final dividend of HKD0.04 per ordinary share	**—**	25,774
2015 final dividend of HKD0.04 per ordinary share	**27,997**	—
	27,997	25,774

At the Board meeting held on 25 August 2016, the Directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2016.

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company and earnings for purpose of basic and diluted earnings per share	**58,251**	52,293

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**818,907**	793,851
Effect of dilutive potential ordinary shares		
– 2005 share options	**—**	2,779
– 2013 share options	**—**	5,693
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**818,907**	802,323

The amount of diluted earnings per share for the six months ended 30 June 2016 was the same as basic earnings per share as there was no dilutive potential ordinary shares in existence during the six months ended 30 June 2016. All dilutive potential ordinary shares for the six months ended 30 June 2015 arose from the share options.

9. TRADE RECEIVABLES

The Group offers credit terms generally accepted in the antenna system, base station RF subsystem and coverage extension solution manufacturing industry to its trade customers, which is around 30 to 240 days for a significant number of the Company's products, although a longer credit term may be extended to certain customers, depending on price, the size of the contract, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables effectively, credit limits of customers are evaluated periodically. Before accepting any new customer, the Group conducts research on the creditworthiness of the new customer and assesses the potential customer's credit quality. Trade receivables that are neither past due nor impaired have the high ranking record attributable to their corresponding research on the creditworthiness.

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
0 to 30 days	**162,576**	246,068
31 to 60 days	**151,052**	89,005
61 to 90 days	**54,341**	32,371
91 to 120 days	**61,068**	39,569
121 to 180 days	**51,881**	39,401
Over 180 days	**136,982**	99,403
	617,900	545,817

10. TRADE PAYABLES

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
0 to 30 days	**83,248**	20,947
31 to 60 days	**113,271**	135,605
61 to 90 days	**106,475**	104,482
91 to 180 days	**77,908**	102,960
Over 180 days	**25,135**	33,660
	406,037	397,654

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2016 amounted to approximately RMB904.3 million, representing an increase of approximately 10.1% as compared with approximately RMB821.2 million in the corresponding period of 2015. In which, sales of antenna system products increased significantly by approximately 54.2% to approximately RMB622.6 million, sales of base station RF subsystem products decreased by approximately 34.8% to approximately RMB249.0 million, and sales of coverage extension solution products also decreased by approximately 8.0% to approximately RMB32.63 million. Such increase in the revenue from antenna system products was attributed to the construction of 4G networks by domestic operators and increase of demands for the construction of global networks.

In the first half of 2016, revenue from products of dual/multiple, 3G and LTE usages increased by approximately 9.9% to approximately RMB679.6 million when compared with the corresponding period of 2015.

Antenna system

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

Revenue from sales of antenna system products increased significantly by approximately 54.2% to approximately RMB622.6 million as compared with the corresponding period of 2015 (1H 2015: RMB403.7 million), mainly attributed to the construction of 4G networks by domestic operators. Of which, revenue from TD/TD-LTE antennas increased significantly by approximately 138.5% to approximately RMB270.1 million. In addition, revenue from WCDMA/FDD-LTE (narrow band) antennas increased by approximately 13.8% to approximately RMB180.6 million as compared with the corresponding period of 2015, mainly due to the significant increases in investments in 4G antennas of 4G network operators and system equipment manufacturers in the PRC. In addition, revenue from CDMA/GSM antenna also increased significantly by approximately 35.6% to approximately RMB34.61 million as compared with the corresponding period of 2015. Taken together, revenue from antenna system products of dual/multiple, 3G and LTE usages of the Group increased significantly by approximately 62.4% over the corresponding period of 2015 to approximately RMB521.5 million. The Group believes 4G networks and multi-system stations are becoming the trend in networks construction. Therefore, LTE antennas and multi-band/multi-system antennas will also become the trend of development in future products of antennas systems. Such business developments of the Group mentioned above will help to maintain its competitive edge in the technology aspect.

After entering into the 4G era, as the technologies required by 4G networks are more complicated, operators' requirements on technologies and reliabilities of antenna systems are more complicated, therefore, suppliers capable of developing 4G high performance antennas are far fewer than suppliers of 2G and 3G antennas. The Group held a leading industrial position in the PRC in respect of the technologies required for developing 4G high performance antennas and the tests performed by customers, and procured substantially all the share of supply from major customers. Therefore, it is expected that revenue from the antenna system products of the Group will have large potential for growth in the future.

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

Base station RF subsystem

The Group is a supplier of core RF subsystems for international communication equipment manufacturers, such as ZTE and Nokia, and provides them with a variety of products and solutions, including 3G and 4G RF subsystem products. During the six months ended 30 June 2016, revenue from base station RF subsystem products decreased by approximately 34.8% to approximately RMB249.0 million as compared with the corresponding period of 2015 (1H 2015: RMB382.1 million), which was mainly attributed to a number of factors including the impact of the inventory adjustment as a result of the acquisition of Alcatel-Lucent by Nokia, the investigation against ZTE by the US government in the first half of 2016 as well as the keen competition. The Group believes that base station RF subsystem products would still have continued growth room in the future, which is primarily attributable to the construction of 4G networks and the increase of demands for the construction of global networks.

For the six months ended 30 June 2016, revenue from TD-SCDMA and CDMA base station RF subsystem products increased by approximately 202.8% and approximately 86.9% to approximately RMB15.45 million and approximately RMB1.27 million, respectively as compared with the corresponding period of 2015, mainly benefit from the construction of 4G networks by domestic operators. Meanwhile, revenue from other base station RF subsystem products also increased by approximately 104.4% to approximately RMB37.96 million, as compared with the corresponding period of 2015. However, revenue from LTE and WCDMA RF subsystem products decreased significantly by approximately 48.2% and approximately 66.2% to approximately RMB120.7 million and approximately RMB20.03 million, respectively as compared with the corresponding period of 2015. Revenue from GSM RF subsystem products decreased by approximately 21.1% as compared with the corresponding period of 2015 to approximately RMB51.71 million.

Coverage extension solution

The Group dedicates to achieve a balanced portfolio of products. In the first half of 2016, revenue from coverage extension solution segment of the Group decreased by approximately 8.0% as compared with the first half of 2015, mainly attributed to the impact of temporary fluctuations arising from the procurement of the operators in the first half of 2016. The Company believes that given the increasing scarcity of sites for base stations and the operation of Tower Company (鐵塔公司), the demand for aesthetic antennas by operators will continue to increase substantially.

Customers

In 2016, the construction of 4G networks in domestic market brought opportunities for the sustained growth of the business of the Group. As the TD-LTE networks adopt turn-key delivery model, the Group's antenna system products and RF subsystem products are all delivered to network solution providers, such as ZTE, therefore, the Group's year-on-year revenue from network solution provider, ZTE, increased by approximately 23.8% to approximately RMB498.5 million.

However, in the first half of 2016, sales to Nokia decreased by approximately 147.0% to approximately RMB78.61 million year on year. This was mainly attributed to the impact of the inventory adjustment as a result of the acquisition of Alcatel-Lucent by Nokia. The Group believes that this adjustment is temporary. Nokia and Alcatel-Lucent have formed a global leading equipment manufacturer following their merger. It is believed that this will have a positive impact on future market competition and shares. Currently, the Company has already identified the development needs for new projects from Nokia's customers, and it is believed that such needs will bring more orders to the Company.

For domestic operators, sales to China Unicom and China Telecommunications in the first half of 2016 increased by approximately 4.0% and approximately 10.1% to approximately RMB162.4 million and approximately RMB44.15 million, respectively as compared with the first half of 2015, while sales to China Mobile Communication Corporation decreased by approximately 21.4% to approximately RMB17.22 million as compared with the first half of 2015, which was mainly due to the change of the networks construction by each operator and the purchase of turn-key for China Mobile TD-LTE. As the construction of 4G networks was still in progress, the Group believes that domestic 4G construction will continue to have large potential in the future.

In the first half of 2016, the demands from overseas markets, such as Thailand, Russia and Mexico, for 3G and multi-band/multi-system products remained robust continuously.

Gross Profit

Our gross profit increased by approximately RMB20.60 million or approximately 10.9% from approximately RMB189.6 million in the first half of 2015 to approximately RMB210.2 million in the first half of 2016.

During the six months ended 30 June 2016, the Group's overall gross profit margin increased to approximately 23.2%, as compared with approximately 23.1% of the corresponding period last year. The Group has achieved improvement on gross profit for four years in a row, which was mainly due to the constantly optimization of products sales portfolio, and the improvement of sales proportion of high-tech products. Also, it is believed that the market competitiveness of the Group is becoming stronger.

Other Income and Expenses

Other income and expenses increased to approximately RMB11.15 million, mainly due to an increase in the government subsidies received by the Group and the increased bank interest income.

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB41.53 million in the first half of 2015 to approximately RMB49.54 million in the first half of 2016, primarily due to increases in business expenditures, travelling expenses, rent and utilities, consultation fees and low-value consumables resulting from increases in products sales.

Administrative Expenses

Administrative expenses increased by approximately RMB10.31 million from approximately RMB44.96 million in the first half of 2015 to approximately RMB55.27 million in the same period of 2016, mainly due to (1) the increase in the average number of employees as a result of business expansion, which led to the increase in expenses such as salaries, social security contributions, premium for property insurance and housing provident funds; and (2) the increase in expenses such as business expenditures, travelling expenses, amortisation on intangible assets, repairs and litigation costs.

Research and Development Costs

For the six months ended 30 June 2016, the Group recognised development costs of approximately RMB6.24 million as capitalization expenses. After the capitalization, research and development costs increased by approximately RMB6.62 million from approximately RMB36.34 million in the first half of 2015 to approximately RMB42.96 million in the first half of 2016, which was mainly attributable to the increase in salaries for research and development activities, surcharge on wages, repairs, testing fees and research and development materials costs.

Finance Costs

Finance costs decreased from approximately RMB10.93 million in the first half of 2015 to approximately RMB6.12 million in the first half of 2016, primarily due to the decrease in borrowings.

Profit Before Taxation

Profit before taxation for the first half of 2016 increased significantly by approximately RMB8.23 million, or approximately 13.9%, from approximately RMB59.21 million for the corresponding period in 2015 to approximately RMB67.44 million. Net profit margin before tax charges increased from approximately 7.2% in the first half of 2015 to approximately 7.5% in the first half of 2016.

Income Tax Expenses

Our income tax expenses increased by approximately RMB2.26 million from approximately RMB6.92 million in the first half of 2015 to approximately RMB9.18 million in the first half of 2016. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 11.7% in the first half of 2015 and approximately 13.6% in the first half of 2016, respectively.

Profit for the Reporting Period

Profit for the first half of 2016 increased by approximately 11.4% from approximately RMB52.29 million for the corresponding period in 2015 to approximately RMB58.25 million. Our net profit margin was approximately 6.4% for the first half of 2016, which was the same when compared to approximately 6.4% for the corresponding period in 2015.

FUTURE PROSPECTS

In the future, the Group will further develop both domestic and international markets, and focus on the market of RF technology of wireless communication, especially on the base station RF technology and RF technology for other wireless communications.

Customers

The Group will maintain its focus on global market and provide RF technology solutions to leading network solution providers and network operators.

The Group is also one of the few one-stop providers in China who can provide RF solutions to international system providers and network operators. Due to keen competitions and the effects of global economic conditions, customers are more concerned of costs, technologies and qualities. Furthermore, international reputable customers require longer turnaround time and very strict certification requirements on their suppliers. By leveraging on its advantages of cost and technology, the Group has established strong relationships with a number of international well-known customers. We believe this can strengthen our competitiveness in the global market to a greater extent. The Group will further improve its development strategy for overseas markets and international business.

In the PRC 4G networks construction (including TD-LTE and FDD-LTE) in 2016, the market share of the domestic LTE antenna and RF subsystem business will largely depend on the extent of strategic cooperation with system equipment manufacturers. The Group believes that compared with domestic counterparts, it enjoys outstanding advantages in terms of product technologies and customer relations, and currently it has also gained substantially all the market share of its major customers.

In addition, in the second half of 2016, demands for networks construction in overseas emerging markets remains robust. The Group will proactively participate in these overseas projects, including those areas in Asia Pacific, Africa and Latin America, by itself or through equipment manufacturers. Meanwhile, the Group is also expected to be included in the short list of antenna supply of more international equipment manufacturers and international operators. In the long term, the Group still insists on its internationalized market strategies, especially in the multinational operators markets in Europe, and will continue to develop towards this direction.

The Group has developed our global market for many years. With the improvement on our product technology, product integrity and quality standards, we have gained recognition from many international customers. The Group believes that the scale of our global sales will experience a rapid growth in the foreseeable future.

The Group is confident in its annual results of operation for 2016.

Products

As domestic LTE networks construction started to grow rapidly in 2016. The Group's domestic deliveries of LTE antennas will usher in a potential continuous growth. As the Group has obtained substantially all market share of its major customers in terms of LTE, we believe that the Group will be significantly benefited from the LTE networks construction.

Meanwhile, the technology of antenna products is evolving rapidly around the world. Integration and multi-system stations have become the trend of development. The multi-band/multi-system antenna products developed by the Group encompass a series of products which have passed the tests by and received positive recognition from international customers in networks construction. It will be a crucial marketing strategy for the Group to expand our business overseas aggressively in the future.

In respect of base station RF subsystem products, the Group will continue to enhance cooperation with international network solutions providers, expand product portfolios. As the network type in 4G era is becoming increasingly complicated with more obvious problems, such as interference, demands for ambient RF system products by global operator customers also begin to emerge, and the Group has its technologies and customers strengths simultaneously. Base station RF subsystem products are mainly customized products using the same technology of the relevant base station equipment. Therefore, international network solutions providers have very strict technology requirements for their vendors. The Group believes that with the long term and close cooperation with international network solutions providers, the Group is well positioned to keep abreast of the advanced technologies of base station RF. We can have better communication with the customers and understand their requirements, which will deepen the trust within us, and the competitive edges of the Group will also be strengthened.

In respect of coverage extension products, as the station sites environment in 4G era is more complicated, specific antennas and high quality aesthetic antennas are expected to be applied more broadly, and the Group has leading technology strengths in such areas.

Conclusion

The Group is one of the few one-stop solution providers of RF technology for global network operators and network solution providers. The Group has a wide range of reputable customers and diversified income sources, which contributes to the positive and stable growth of the Group.

The Group will continue to optimise its customer base and structure, adapt strategies of product differentiation based on the technologies and costs, maximize the market opportunities in 3G, LTE and the new generation wireless technology. The Group will also strive to enhance its integrated competitiveness to ensure the stable growth of the operating results of the Group and to maximise the returns to its shareholders and the society.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, we have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers, short term bank borrowings and IPO proceeds. We apply cash primarily in satisfying our increased working capital requirements and capital expenditures on purchases of production equipment in Shenzhen, Jian and Xian, China.

As at 30 June 2016, the Group had net current assets of approximately RMB843.6 million (31 December 2015: approximately RMB812.1 million) including inventories of approximately RMB333.7 million (31 December 2015: approximately RMB363.2 million), trade and notes receivables of approximately RMB1,177.3 million (31 December 2015: approximately RMB928.4 million) and trade and notes payables of approximately RMB745.5 million (31 December 2015: approximately RMB627.5 million).

For the six months ended 30 June 2016, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 92 days (six months ended 30 June 2015: approximately 134 days), 212 days (six months ended 30 June 2015: approximately 256 days) and 182 days (six months ended 30 June 2015: approximately 248 days), respectively. Turnover days are derived by dividing the arithmetic mean of the beginning and ending balances of relevant assets/liabilities classes for the relevant period by sales/cost of sales and multiplying by the number of days in the period. The increased weighting of trade receivables attributable to PRC network operators led to the lengthening of average receivable turnover days. In general, the average credit period for PRC network operators is longer than global network operators and solution providers. We offer credit terms generally accepted in the antennas and base station RF subsystems manufacturing industry to our trade customers.

As at 30 June 2016, the Group pledged bank balance with a value of approximately RMB120.2 million to the bank (31 December 2015: approximately RMB166.8 million), cash and bank balances of approximately RMB235.5 million (31 December 2015: approximately RMB259.1 million) and recorded bank borrowings of approximately RMB228.6 million (31 December 2015: approximately RMB237.7 million). The current ratio (current assets divided by current liabilities) decreased to approximately 1.77 times as at 30 June 2016 from approximately 1.85 times as at 31 December 2015. The gearing ratio (bank borrowings divided by total assets) was approximately 9.5% as at 30 June 2016, whereas the gearing ratio as at 31 December 2015 was approximately 10.6%.

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

FOREIGN EXCHANGE EXPOSURE

Renminbi ("RMB") is the functional currency of the Group. Currencies other than RMB expose the Group to foreign currency risk. We have foreign currency sales and purchases and certain trade receivables and bank balances are denominated in United States dollar ("US$"), Euro ("EUR") and Hong Kong dollars ("HK$"). We currently do not have a foreign currency hedging policy. However, the management monitors and will consider hedging of foreign currency exposure when necessary.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had approximately 3,758 staff. The total staff costs amounted to approximately RMB138.6 million for the six months ended 30 June 2016. The remuneration of the Group's employees is determined on the basis of their responsibilities and industry practices. Regular training is provided to improve the skills and expertise of relevant staff. The Group also grants share options and discretionary bonuses to eligible staff based on their performance.

CHARGE ON ASSETS

As at 30 June 2016, bank balances of approximately RMB120.2 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2016, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB22.68 million. The Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016.

CORPORATE GOVERNANCE

The Board has been adamant in upholding high standards of corporate governance to maximize the operational efficiency, corporate values and shareholder returns of the Company. The Company adopted sound governance and disclosure practices and continued to upgrade internal control system, strengthen risk control management and reinforce the corporate governance structure.

The Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the six months ended 30 June 2016 except for the deviation of code provision A.2.1.

The code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, Mr. Hu Xiang ("Mr. Hu") is both the Chairman and Chief Executive Officer of the Company. Mr. Hu is one of the founders of the Group and has extensive experience in the telecommunication industry. Given the current stage of development of our Group, the Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company has set up an audit committee with written terms of reference. The audit committee comprises three independent non-executive Directors. The principal duties of the audit committee include the review and supervision of the Group's financial reporting systems and internal control procedures, review of the Group's financial position and review of the relationship with the external auditor of the Company.

The Group's condensed consolidated interim financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND 2016 INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.mobi-antenna.com. The 2016 Interim Report of the Company will be available on both websites and dispatched to shareholders in due course.

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

Hong Kong, 25 August 2016

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