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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 2021

- Revenue decreased to approximately RMB263.2 million, representing a decrease of approximately 42.4%.
- Gross profit margin decreased from approximately 24.1% in the first half of 2020 to approximately 17.8% in the first half of 2021.
- Loss attributable to owners of the Company was approximately RMB57.58 million.
- Basic loss per share for the six months ended 30 June 2021 was approximately RMB7.04 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 2021 together with the comparative figures for the corresponding period in 2020. 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 2021

| | Notes | For the six months ended 30 June | |
|---|-------|-------------------------------------|--------------------------------|
| | | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Revenue | 3 | 263,227 | 456,850 |
| Cost of sales | | <u>(216,330)</u> | <u>(346,764)</u> |
| Gross profit | | 46,897 | 110,086 |
| Other income and expenses | 3 | 20,794 | 26,915 |
| Research and development expenses | | (62,477) | (49,668) |
| Distribution and selling expenses | | (25,547) | (27,509) |
| Administrative expenses | | (51,279) | (44,595) |
| Finance costs | 4 | (3,046) | (2,065) |
| Fair value change on derivative financial instruments | | (1,105) | – |
| Share of losses of associates | | <u>(546)</u> | <u>(299)</u> |
| (Loss) profit before taxation | | (76,309) | 12,865 |
| Income tax credit | 5 | <u>18,733</u> | <u>2,041</u> |
| (Loss) profit and the total comprehensive (expenses) income for the period attributable to owners of the company | 6 | <u>(57,576)</u> | <u>14,906</u> |
| (Loss) earnings per share | | | |
| – basic (RMB cents) | 8 | <u>(7.04)</u> | <u>1.82</u> |
| – diluted (RMB cents) | 8 | <u>N/A</u> | <u>1.82</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2021

| | | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--|-------|---|---|
| | Notes | | |
| Non-current Assets | | | |
| Property, plant and equipment | | 378,037 | 379,256 |
| Right-of-use assets | | 31,162 | 34,061 |
| Deposits for purchase of plant and equipment | | 12,805 | 11,671 |
| Deferred tax assets | | 90,104 | 71,362 |
| Intangible assets | | 64,354 | 66,312 |
| Interest in associates | | 3,979 | 4,525 |
| | | 580,441 | 567,187 |
| Current Assets | | | |
| Inventories | | 288,245 | 270,017 |
| Trade receivables | 9 | 291,188 | 345,929 |
| Notes receivable | | 77,694 | 160,218 |
| Income tax recoverable | | 1,586 | 1,586 |
| Prepayments, deposits and other receivables | | 114,644 | 118,691 |
| Pledged bank balances | | 99,413 | 112,816 |
| Bank balances and cash | | 343,423 | 371,930 |
| | | 1,216,193 | 1,381,187 |
| Current Liabilities | | | |
| Trade payables | 10 | 335,813 | 374,648 |
| Notes payable | | 127,543 | 177,974 |
| Other payables and accruals | | 68,400 | 78,330 |
| Contract liabilities | | 15,112 | 7,272 |
| Bank borrowings | | 100,027 | 99,575 |
| Derivative financial instruments | | 2,756 | 1,349 |
| Lease liabilities | | 3,612 | 4,920 |
| Deferred income | | 1,287 | 2,536 |
| Tax payable | | – | 604 |
| | | 654,550 | 747,208 |

| | Notes | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--|-------|---|---|
| Net Current Assets | | <u>561,643</u> | <u>633,979</u> |
| Total Assets less Current Liabilities | | <u>1,142,084</u> | <u>1,201,166</u> |
| Non-current Liabilities | | | |
| Other borrowing | | 65,000 | 65,000 |
| Lease liabilities | | 2,630 | 3,851 |
| Deferred income | | <u>6,244</u> | <u>6,266</u> |
| | | <u>73,874</u> | <u>75,117</u> |
| Net Assets | | <u>1,068,210</u> | <u>1,126,049</u> |
| Capital and Reserves | | | |
| Issued share capital | | 6 | 6 |
| Reserves | | <u>1,068,204</u> | <u>1,126,043</u> |
| Equity attributable to owners of the Company | | <u>1,068,210</u> | <u>1,126,049</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2020.

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 2021 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2020.

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

| | |
|--|--|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments to report segment information for the six months period ended 30 June 2020 and 2021. 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 and others.

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 and others - manufacture and sale of a wide array of coverage products and others

Information of segment revenues and segment results

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Segment revenues | | |
| Antenna system | 94,595 | 277,391 |
| Base station RF subsystem | 149,246 | 113,992 |
| Coverage extension solution and others | 19,386 | 65,467 |
| | <u>263,227</u> | <u>456,850</u> |
| Segment results | | |
| Antenna system | (15,891) | 49,516 |
| Base station RF subsystem | 2,452 | 3,452 |
| Coverage extension solution and others | (2,141) | 7,450 |
| | <u>(15,580)</u> | <u>60,418</u> |
| Reconciliation of segment results to (loss) profit before taxation: | | |
| Other income and expenses | 20,794 | 26,915 |
| Unallocated corporate expenses | (76,826) | (72,104) |
| Finance costs | (3,046) | (2,065) |
| Fair value change on derivative financial instruments | (1,105) | – |
| Share of results of associates | (546) | (299) |
| | <u>(76,309)</u> | <u>12,865</u> |
| (Loss) profit before taxation | <u>(76,309)</u> | <u>12,865</u> |
| Other segment information | | |
| Depreciation: | | |
| Antenna system | 6,228 | 6,281 |
| Base station RF subsystem | 3,081 | 3,684 |
| Coverage extension solution and others | 610 | 541 |
| | <u>9,919</u> | <u>10,506</u> |
| Segment total | 9,919 | 10,506 |
| Unallocated amount | 4,074 | 7,374 |
| | <u>13,993</u> | <u>17,880</u> |
| Group total | <u>13,993</u> | <u>17,880</u> |
| Research and development expenses: | | |
| Antenna system | 36,790 | 28,890 |
| Base station RF subsystem | 17,186 | 13,685 |
| Coverage extension solution and others | 8,501 | 7,093 |
| | <u>62,477</u> | <u>49,668</u> |
| Group total | <u>62,477</u> | <u>49,668</u> |

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2020 and 2021.

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 2020. The Group does not allocate other income and expenses, unallocated corporate expenses, finance costs, fair value change on derivative financial instruments and share of results of associates to individual reportable segments when making decisions about resources to be allocated to the segments and assessing their performance.

Entity-wide disclosures:

Information about products

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

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| <i>Antenna system</i> | | |
| 5G antennas | 33,473 | 104,318 |
| Multi-band/Multi-system antennas | 16,016 | 87,983 |
| Low-band refarming/IoT antennas | 15,766 | 19,753 |
| WCDMA/FDD-LTE antennas | 7,260 | 35,655 |
| Microwave antennas | 3,582 | 9,702 |
| Multi-beam antennas | 2,551 | 5,439 |
| FDD+TDD antennas | 1,389 | 673 |
| Other antennas | 14,558 | 13,868 |
| | <u>94,595</u> | <u>277,391</u> |
| <i>Base station RF subsystem</i> | | |
| WCDMA/FDD-LTE RF devices | 130,756 | 92,217 |
| TD/TD-LTE RF devices | 14,235 | 14,621 |
| GSM/CDMA RF devices | 2,093 | 5,277 |
| Low-band refarming/IoT RF devices | 990 | 1,620 |
| Other devices | 1,172 | 257 |
| | <u>149,246</u> | <u>113,992</u> |
| <i>Coverage extension solution and others</i> | | |
| Aesthetic antennas | 16,245 | 27,189 |
| Customer Premise Equipment | 1,149 | 33,797 |
| Small Cell | 34 | 1,004 |
| Other products | 1,958 | 3,477 |
| | <u>19,386</u> | <u>65,467</u> |
| | <u>263,227</u> | <u>456,850</u> |

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 | |
|-------------------------|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Customer A ¹ | 73,238 | 199,051 |
| Customer B ¹ | <u>122,236</u> | <u>67,751</u> |

¹ revenue mainly from antenna system and base station RF subsystem

Geographical information

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

| | For the six months ended 30 June | |
|-------------------------------|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| PRC | <u>132,242</u> | <u>279,998</u> |
| Overseas | | |
| Other countries/areas in Asia | 42,407 | 63,008 |
| Europe | 59,683 | 84,415 |
| Americas | 28,895 | 29,401 |
| Africa | <u>-</u> | <u>28</u> |
| Subtotal | <u>130,985</u> | <u>176,852</u> |
| | <u>263,227</u> | <u>456,850</u> |

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 | |
|---|-------------------------------------|----------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Revenue | | |
| Sale of wireless communication antenna systems, base station RF subsystems and products of coverage extension solution and others | <u>263,227</u> | <u>456,850</u> |
| Other income and expenses | | |
| Government grants | 13,320 | 18,010 |
| Compensation income | 688 | 171 |
| Rental income | 5,591 | 4,465 |
| Interest income | 2,779 | 1,435 |
| Other (expenses) income | <u>(1,584)</u> | <u>2,834</u> |
| | <u><u>20,794</u></u> | <u><u>26,915</u></u> |

4. FINANCE COSTS

| | For the six months ended 30 June | |
|--------------------------------------|-------------------------------------|---------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Interest on bank borrowings | | |
| – wholly repayable within five years | 2,821 | 1,798 |
| Interest on lease liabilities | <u>225</u> | <u>267</u> |
| | <u><u>3,046</u></u> | <u><u>2,065</u></u> |

5. INCOME TAX CREDIT

| | For the six months ended 30 June | |
|----------------|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| PRC income tax | 6 | – |
| Deferred tax | (18,739) | (2,041) |
| | <u>(18,733)</u> | <u>(2,041)</u> |

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

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

MOBI Antenna Technologies (Shenzhen) Co., Ltd. (“MOBI Shenzhen”) and MOBI Technology (Shenzhen) Co., Ltd. (“MOBI Technology”) were 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% and 25% for the six months ended 30 June 2021 respectively.

The applicable tax rate of other PRC subsidiaries are 25% for the six months ended 30 June 2021.

6. (LOSS) PROFIT AND THE TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Depreciation | 13,993 | 17,880 |
| Depreciation of rights-of-use assets | 2,565 | 2,689 |
| Cost of inventories recognised as expenses | 216,330 | 346,763 |
| Net exchange loss (gain) | 1,269 | (3,924) |
| | <u>134,157</u> | <u>363,408</u> |

7. DIVIDENDS

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Dividends recognised as distribution during the period: | | |
| 2019 final dividend of HKD0.02 per ordinary share | – | 15,078 |
| 2020 final dividend | – | – |
| | <u>–</u> | <u>–</u> |
| | <u>–</u> | <u>15,078</u> |

At the Board meeting held on 20 August 2021, the Directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2021.

8. (LOSS) EARNINGS PER SHARE

The (loss) earning figures for calculation of the basic (loss) 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 | |
|--|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| <i>(Loss) Earnings</i> | | |
| (Loss) profit for the period attributable to owners of the Company and earnings for purpose of basic and diluted earnings per share | <u>(57,576)</u> | <u>14,906</u> |

| | For the six months ended 30 June | |
|--|-------------------------------------|-----------------------------------|
| | 2021 (Unaudited) Shares'000 | 2020 (Unaudited) Shares'000 |
| <i>Number of shares</i> | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | <u>818,242</u> | <u>819,587</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>N/A</u> | <u>819,587</u> |

For the six months ended 30 June 2021, the computation of diluted loss per share is not presented as there is anti-dilutive effect on the basic loss per share for the six months ended 30 June 2021 if assumed the exercise of the Company's options. The computation of diluted earnings per share for the six months ended 30 June 2020 did not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 June 2020.

9. TRADE RECEIVABLES

The Group offers credit terms generally accepted in the antenna system, base station RF subsystem and coverage extension solution and others manufacturing industries to its trade customers, which are ranging from 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 allowance for credit losses at the end of reporting period:

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|-----------------|---|---|
| 0 to 30 days | 60,199 | 120,581 |
| 31 to 60 days | 32,498 | 36,639 |
| 61 to 90 days | 37,586 | 35,071 |
| 91 to 120 days | 29,820 | 14,033 |
| 121 to 180 days | 35,617 | 26,457 |
| Over 180 days | 95,468 | 113,148 |
| | 291,188 | 345,929 |

10. TRADE PAYABLES

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

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|----------------|---|---|
| 0 to 30 days | 66,301 | 72,801 |
| 31 to 60 days | 61,398 | 49,133 |
| 61 to 90 days | 42,518 | 48,396 |
| 91 to 180 days | 70,173 | 111,294 |
| Over 180 days | 95,423 | 93,024 |
| | 335,813 | 374,648 |

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 2021 amounted to approximately RMB263.2 million, representing a decrease of approximately 42.4% as compared with approximately RMB456.9 million in the corresponding period of 2020. Of which, sales of antenna system products decreased by approximately 65.9% to approximately RMB94.60 million, while sales of coverage extension solution products and other products decreased by approximately 70.4% to approximately RMB19.39 million. However, sales of base station RF subsystem products significantly increased by approximately 30.9% to approximately RMB149.2 million.

The above changes in revenue were mainly due to the overall delay of the construction of 5G network capital projects by major domestic telecommunication operators, and the postponement of centralized procurement tender for related 5G base station equipment and antenna products until June 2021 and beyond. Meanwhile, the construction of 4G networks of China's domestic mobile communication enters a later stage, and the capital expenditures of 4G networks further declined significantly and the overall industry has experienced slower progress than expected. In addition, due to continuous shock of the COVID-19 pandemic and international political factors, related uncertain factors increased, and network construction in overseas markets fell short of expectations. However, despite the fluctuations in the market situation, the Group still maintained close cooperation with international equipment manufacturer customers. In the first half of 2021, its sales increased significantly by 62.6% to approximately RMB125.8 million and maintained a continuous growth trend. The Group believes that with the effective control of the pandemic, the stabilization of commodity and raw material prices, and the promotion of the "new infrastructure" policy, the communications industry still has development potential, which will bring growth opportunities to the Group's business development. In the meantime, based on the richer application scenarios in the 5G era, 5G industry applications have been explored in multiple fields, with pilot programs being started from scratch. The Group further participates in application in vertical industries, which is believed to be its new source of growth.

Antenna system

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

In the first half of 2021, revenue from antenna system products, most affected by market situation, decreased by approximately 65.9% to approximately RMB94.60 million (1H 2020: approximately RMB277.4 million), as compared with the corresponding period in 2020. Of which, through differentiation to solve the coverage needs of different scenarios, the sales of private networks and other antenna products, and micro base station antenna products in the first half of 2021 increased by approximately 3,634.2% and approximately 60.4% compared with the same period in 2020, to approximately RMB8.54 million and approximately RMB2.74 million. However, due to the overall delay in the construction of 5G network capital projects by domestic operators, the sales of 5G antenna products in the first half of 2021 decreased by approximately 67.9% from the same period last year to approximately RMB33.47 million. In addition, due to the continuous impact of overseas pandemic, rising prices of commodities and raw materials, and exchange rate fluctuations, multi-frequency/multi-system antenna products decreased by approximately 81.8% from the same period last year to approximately RMB16.02 million.

As China's major domestic operators gradually start the large-scale construction of 5G networks in the second half of 2021 and afterwards, related demands will be gradually released. Meanwhile, 5G and its applications, as the driving force of a new round of technological waves and industrial changes, constantly require changes and innovation in wireless technology, and therefore, technology and reliability requirements on antenna systems are more complex, and their update is constantly accelerated. There are far fewer manufacturers capable of developing and producing high-performance and high-quality antenna systems than in previous times. The Group has long-term technology accumulation and comprehensive product coverage and is in a leading position in the domestic industry in terms of client technology development capability and product quality performance. In addition, it is believed that with overseas pandemic being gradually brought under control, by steadily exploring international operator customers on the one hand, and actively broadening the offerings of antenna system products on the other hand, the demand from related overseas projects for the Group will also gradually be released, which will also bring continuous market opportunities and orders landing. The Group believes that the large-scale construction of 5G networks and the continuous expansion of overseas markets will bring development room for the continuous growth of the antenna system business in the future.

Base station RF subsystem

The Group is one of the core suppliers of RF subsystems for international communication equipment manufacturers, such as ZTE and Nokia, and provides them with a variety of products and solutions, including RF subsystem products. During the six months ended 30 June 2021, revenue from base station RF subsystem products increased significantly by approximately 30.9% to approximately RMB149.2 million (1H 2020: approximately RMB114.0 million) as compared with the corresponding period of 2020, mainly driven by the growth of demand from international equipment manufacturers. Of which, the revenues from WCDMA/FDD-LTE RF subsystem products in the first half of 2021 increased significantly by approximately 41.8% to approximately RMB130.8 million, as compared with the corresponding period in 2020.

In the first half of 2021, the Group secured many research and development projects and market orders of the world's main system equipment manufacturers (such as ZTE and Nokia) including filters, combiner and diplexer, which have formed large-scale production, especially its market share and delivery ratio among international equipment manufacturers, has increased steadily. In the meantime, the Group won the bid for RF device projects of major domestic operators and some overseas operators, and achieved large-scale delivery. The Group believes that base station RF subsystem products would still have continuous growth room in the future, which is due to domestic 5G network construction starting high and low frequency collaborative networking, and continuous implementation of overseas construction of 4G networks, as well as gradual opening of overseas 5G network construction. Customer diversity, high-end products and enhancement of its status as a core supplier are conducive to increasing the market share and profitability of the Group's RF subsystem, bringing a new round of growth in the future.

Coverage extension solution and others

The arrival of the 5G era brings rich application scenarios and empowers vertical industries. The Group is committed to creating a diversified product portfolio and participating more in the construction of a new ecology in the 5G era. In the first half of 2021, the Group's revenue from coverage extension solution and other products decreased by approximately 70.4% to approximately RMB19.39 million (1H 2020: approximately RMB65.47 million) as compared with the corresponding period in 2020, mainly due to postponed implementation of related projects as a result of the overall delay of major domestic telecommunication operators in network capital expenditures. However, the Group is full of confidence in the future diversified product portfolio and vertical industry expansion, which, with the gradual resumption of construction of related capital projects, as well as the exploration of 5G application in many fields, is believed to be a new source of growth for the Group.

Customer

In the first half of 2021, the Group noticed that changes in market situation also brought about changes in the structure of revenue from customers, while the Group's long-term and deep cooperation with telecommunication equipment manufacturers and telecommunication operators provides the Group with strong competitive advantages in the changes of market opportunities.

Due to the overall delay of the construction of 5G network capital projects by major domestic telecommunication operators, the centralized procurement bidding for related 5G base station equipment were postponed to June 2021 and afterwards. At the same time, the construction of 4G base station equipment basically stagnated, and as the delivery method of turnkey procurement is adopted for the medium and high-band construction of 5G networks, and the RF subsystem products and 5G antenna system products of the Group are delivered to network solution equipment manufacturers. Due to the lagging demand, the Group's sales to the PRC equipment manufacturer customers in the first half of 2021 decreased by approximately 63.1% to approximately RMB73.42 million as compared with the corresponding period in 2020, and its proportion in total revenue in the current period was approximately 27.9%.

Affected by the outbreak of the COVID-19 pandemic both at home and abroad, the demand for mobile network construction in certain countries and regions slowed down, however, relying on strong R&D technology and product quality, as well as the accumulation of long-term stable cooperation, in the first half of 2021, the Group's sales to international equipment manufacturer customers increased significantly by approximately 62.6% to approximately RMB125.8 million, as compared with the corresponding period of last year, and its proportion in total revenue in the first half of 2021 increased to approximately 47.8%. The Group maintains an increasingly prominent share among leading global equipment manufacturer customers, with both its technology and quality performance highly recognized by customers. It is believed that as the pandemic slows down and the demand for international mobile network construction resumes, there will be continuous growth opportunities in the future.

In the first half of 2021, major domestic telecommunication operators in China postponed the construction of 5G network capital projects as a whole. Although there was still low demand for mid and high-frequency band 5G AAU construction, it was far below the expected. At the same time, the demand for large-scale low-frequency network construction has not yet released, the centralized procurement bidding for related 5G antenna products was postponed to June 2021 and afterwards. Therefore, the revenue from major Chinese operators in the first half of 2021 has declined by approximately 37.2% from the same period last year to approximately RMB37.78 million. However, sales in the first half of 2021 increased by 80.8% to approximately RMB9.38 million as compared with the corresponding period of last year, due to the strategic cooperation with China Tower being continuously deepened. In the meantime, the scope of cooperation between the Group and major domestic operators is constantly deepening and strengthening. On the one hand, the scale of winning bids and order delivery of 5G indoor distribution products continued to rise; on the other hand, the Group participated in the ICT, RF devices and other projects of major operators, and continuously optimized the product structure. With the large-scale deployment of medium and high-band 5G networks and the gradually increasing demand for low-band network construction, the high and low-frequency collaborative networking will release the demand for related projects. In addition, the large-scale commercial application of 5G is expected to be explored. The Group believes that the opportunities for future domestic 5G network construction will bring continuous growth room.

Due to continuous shock of the COVID-19 pandemic and international political factors, related uncertain factors increased, and network construction in overseas markets fell short of expectations. In the first half of 2021, the direct sales to international operators decreased by approximately 84.8% as compared with those in the corresponding period in 2020 to approximately RMB17.01 million, accounting for approximately 6.5% of total revenue in the first half of 2021. The capital expenditures of global operators indicated cyclical changes, except that in some emerging markets (such as the Middle East, Africa, Southeast Asia, Latin America and other regions), there is still large room for 4G network construction or transformation, and currently, many countries and regions have entered the cycle of accelerating 5G construction. It is expected that the capital expenditure of overseas operators will further increase in the future, and large-scale construction will also proceed simultaneously. The demand for overseas network construction is in the ascendant. The Group will continue to adhere to the continuous expansion of overseas sales channels and overseas operator customers. It is believed that with overseas pandemic being brought under control, by strengthening cooperation and exchanges with overseas customers, and continuously providing cost-effective products, overseas markets will bring continuous growth business opportunities to the Group.

Gross Profit

The Group's gross profit decreased by approximately RMB63.19 million or approximately 57.4% from approximately RMB110.1 million in the first half of 2020 to approximately RMB46.90 million in the first half of 2021.

For the six months ended 30 June 2021, the Group's overall gross profit margin decreased to approximately 17.8%, as compared with approximately 24.1% of the corresponding period last year, mainly because the Group's product costs rose due to the rising prices of bulk commodities and raw materials, coupled with fluctuations in exchange rates. The Group improved the overall gross profit margin through constantly optimizing products sales portfolio, increasing the proportion of high-tech products in sales and implementing effective control of internal costs.

Other Income and Expenses

Other income and expenses decreased by approximately 22.8% from approximately RMB26.92 million in the first half of 2020 to approximately RMB20.79 million in the first half of 2021, mainly due to a decrease in the government subsidies obtained by the Group.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 7.1% from approximately RMB27.51 million in the first half of 2020 to approximately RMB25.55 million in the first half of 2021, primarily due to the decrease in staff business expenses, travel expenses, after-sales service expenses, logistic fees, rents and charges of water and electricity, expenses on low-value consumables, and conference fees.

Administrative Expenses

Administrative expenses increased by approximately 15.0% from approximately RMB44.59 million in the first half of 2020 to approximately RMB51.28 million in the same period of 2021, mainly due to (1) the increase in costs including wages, social insurance charges, labor union dues, handling fees and other insurance expenses and (2) the significant increase in expenses such as business expenses, maintenance costs, and recruitment and personnel agency fees.

Research and Development Expenses

For the six months ended 30 June 2021, the Group recognised capitalization expenses of approximately RMB11.67 million. After the capitalization, research and development expenses increased by approximately 25.8% from approximately RMB49.67 million in the first half of 2020 to approximately RMB62.48 million in the first half of 2021, which was mainly attributable to adjustment of the research and development personnel structure, and the increase in costs including wages, travel expenses, R&D materials costs, transportation costs, amortization of intangible assets and welfare expenses.

Finance Costs

Finance costs increased by approximately 47.3% from approximately RMB2.07 million in the first half of 2020 to approximately RMB3.05 million in the first half of 2021, mainly due to an increase in the interest expenses arising out of an increase in borrowings.

Profit before Taxation

Loss before taxation for the first half of 2021 was approximately RMB76.31 million, a decrease of approximately RMB89.18 million, or approximately 692.9%, from the profit before taxation of approximately RMB12.87 million for the corresponding period in 2020. Net profit margin before tax charges decreased from approximately 2.8% in the first half of 2020 to approximately -29.0% in the first half of 2021.

Income Tax Credit

The Group's income tax credit increased from approximately RMB2.04 million in the first half of 2020 to approximately RMB18.73 million in the first half of 2021. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately -15.9% in the first half of 2020 and approximately 24.5% in the first half of 2021, respectively.

Profit for the Reporting Period

Loss for the first half of 2021 was approximately RMB57.58 million, a decrease of approximately RMB72.49 million, or approximately 486.2%, from the profit of approximately RMB14.91 million for the corresponding period in 2020. The Group's net profit margin was approximately -21.9% for the first half of 2021, as compared with 3.3% for the first half of 2020.

FUTURE PROSPECTS

Looking forward, the Group will pay attention to both domestic and overseas markets simultaneously, and will continue to focus on the area of RF technology for wireless communication, especially on the base station RF technology and RF technology for other wireless communications. At the same time, the Group will actively explore in the applications of "5G+" vertical industries and seek growth opportunities in new business areas.

As one of the "new infrastructures", 5G base station construction is an important field that meets the strategic needs of China and provides support for the future development of the economy and society. In June 2020, the State Council further emphasized in its 2020 Government Work Report that "we will step up the construction of new types of infrastructure. We will develop next-generation information networks, expand 5G applications". In July 2021, ten departments including MIIT, CAC, and NDRC jointly issued "Set Sail" Action Plan for 5G Applications (2021-2023), which clarifies the overall objectives that by 2023, the development level of China's 5G applications should be significantly higher, as their comprehensive strength continues to grow, to promote the rapid development of 5G applications. The Group believes that under the background of the central government's "new infrastructure" strategic planning and local government policies and industry assistance, the construction of base stations will accelerate significantly, and the communications industry chain will continue to improve. At the same time, 5G integration is in a critical period of large-scale development. The future "5G+" strategy will accelerate the process of digital transformation in various fields and promote the landing of 5G vertical application projects. All this will continue to bring new industry development opportunities and industry integration opportunities to the Group.

The Group has always adhered to the important strategy of international development. In the global arena, the capital expenditures of operators indicated cyclical changes, except that in some emerging markets (such as the Middle East, Africa, Latin America, Southeast Asia and other regions), there is still continuous large demand for 4G network construction and transformation, and currently, many countries have entered the cycle of accelerating 5G construction. It is expected that the capital expenditure will further increase. Due to the continuing impact of overseas COVID-19 pandemic, the Group's sales revenue in the direct sales market of overseas operators declined in the first half of 2021, however overseas demand is in the ascendant. The Group has many years of accumulation of 4G and 5G technology research and development, cost-effective product series with wide coverage, and continuous breakthroughs in the short list of multinational operators, which will lay a solid foundation for the Group's expansion in overseas markets. The Group will further expand the overseas operator market, continue to enter the short list of major multinational and regional operators, and continue to increase the Group's market share in the global market in the long term.

Customers

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

The Group is also one of the few one-stop providers in China who can provide RF solutions to international system equipment manufacturers and network operators. As international reputable customers require longer turnaround time and have very strict certification requirements on their suppliers, as well as higher requirements for product coverage, 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.

In 2021, the Group continuously expanded and deepened the scope of services to and cooperation with domestic operators. On the one hand, it maintained close strategic cooperation in traditional macrocell antennas, integrated aesthetic antennas and other projects, and on the other hand, it carried out in-depth cooperation in RF devices, indoor distribution projects, aesthetic comprehensive solutions, special scenario coverage, etc. With the continuous advancement of domestic 5G network construction, the complementary and coordinated development of bands among operators accelerate the construction of domestic 5G wireless networks. The Group believes that this will bring business opportunities for sustained growth in the second half of 2021 and in the future.

In terms of domestic equipment manufacturers, the Group maintained the advantage of being a leading supplier, including leading advantages in terms of product technology, quality performance and customer communication. In the large-scale construction of 5G networks of major domestic operators in 2021, major equipment manufacturers, especially domestic equipment manufacturers, are expected to occupy an important market share. In the current 5G network construction in China, the degree of strategic cooperation with system equipment manufacturers will largely determine the domestic market share of 5G antenna and RF subsystem business. The Group's close strategic partnership with domestic equipment manufacturers will make the Company's advantages more prominent in the future market.

As for international equipment manufacturers, in the first half of 2021, the Group maintained its dominant share in terms of client and achieved a continuous increase in market share and delivery scale. The Group believes that the continuous deepening of cooperation with international equipment manufacturers, the continuous implementation of the cooperation framework, and the increase in the proportion of order delivery will bring continuous and stable business opportunities in the future.

Although the implementation of the projects in the first half of 2021 was affected to a certain extent, the Group continued to accumulate technology and expand the market, and increase its efforts to promote product technology upgrades and increase product coverage to meet the needs of overseas operator customers. It is believed that as the overseas pandemic are gradually brought under control, the Group's overseas business opportunities will still bring continuous market orders.

The Group is confident in its annual results of operation for 2021.

Products

On 6 June 2019, the Ministry of Industry and Information Technology of China officially issued 5G licenses to four operators, namely China Mobile, China Telecom, China Unicom and China Broadcasting Network, marking 5G commercialization in China. In December 2020, the Ministry of Industry and Information Technology of China issued a 10-year license for the use of 5G medium and low-frequency use licenses to China Telecom, China Mobile and China Unicom. Hence, the major four domestic operators have covered multiple frequency bands with their respective advantages. The low-frequency band can be used as the coverage layer to provide wide coverage and deep coverage, the medium-frequency band can be used as the continuous capacity layer, and the high-frequency band can be used as the hotspot capacity layer to solve the capacity demand. The coverage of multiple frequency bands will help utilize the advantages of each frequency band effectively, improve the utilization efficiency and benefits of frequency resources, and thus realize comprehensive improvement in bandwidth, latency, and synchronization performance in the 5G era. This will continue to bring about new opportunities for industrial development and industry integration. On the one hand, 5G is about to start the high and low-frequency collaborative networking, and the number of base stations will increase in scale, which will result in the demand for a large number of new base stations, as well as the needs of roof reconstruction of existing base stations. On the other hand, as driven by the 5G network construction, the process of digital transformation in various fields has been accelerated. 5G application will probably achieve more explosive development, while the vertical application is expected to emerge gradually. The Group believes that the technological threshold of cutting-edge high-end antennas and the innovatory base station RF subsystem technology are beneficial to the Group in competition, while the Group has the capacity of the whole industry chain for product research and development and mass production, and has supplied goods massively. In general, the Group believes that with the Group's leading position in technologies of 5G antennas and RF subsystems, and the integrated and source-based development of antennas and RF subsystems, the Group's technology and customer accumulation in these two segments will enable the Group to get ahead in 5G network construction.

Globally, despite the popularization of LTE network, its overall development remains highly unbalanced, with the long-term imbalance between regions. Therefore, despite the temporary influence of the outbreak of COVID-19 in foreign countries, LTE network construction continues. The demand for overseas LTE network construction and complex multi-network stations will bring about a further upgrade of multi-frequency and multi-system antenna and multi-beam antenna technologies, making them closer to ultimate design. In addition, many countries and regions across the world have entered the cycle of accelerating the construction of 5G networks. The 5G investment of global operators is expected to increase in the future. Therefore, it is expected to bring demands such as Massive MIMO and AAU. The Group has undertaken a number of R&D projects from overseas customers and passed corresponding tests. The Group's continuous entry into the shortlists for overseas operators, and the accumulation of multi-frequency and multi-system integrated antenna technology, hybrid beam antenna technology and large-scale antenna array technology, including its improvement in automated and intelligent production capabilities, enable the Group to further upgrade its antenna development platform to meet the evolving technical demands of international operators.

In terms of coverage extension solution products and other products, due to the rich application scenarios generated in the 5G era and new business forms in vertical industries, the business models and product demands of domestic operators have diversified further, and therefore, there will be a broad application space for the ecological portfolio of products. The integration of 5G and its applications are in a critical period of large-scale development, and 5G will continue to advance from "available" to "easy to use". "Set Sail" Action Plan for 5G Applications (2021-2023) proposes to create a new ecology wherein information technology, communications technology, and operational technology are deeply fused and achieve deep and broad dual breakthroughs in 5G applications in key fields, and being oriented to the three major areas of information consumption, real economy and people's livelihood services, it proposes to initially form a 5G innovative application system within three years, and increase the exploration of smart vertical application innovation and new models and new business forms. However, the Group has been deeply engaged in the communication industry for many years, with relevant leading technological advantages, and has continuously invested research and development and market resources. The Group believes that, driven by government policies, the continuous widening and deepening of the scope of services to and cooperation with domestic operators will bring more new business growth opportunities for the Group in the application business in 5G vertical industries.

Conclusion

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

The Group will continue to optimize its customer base and structure, adapt strategies of product differentiation based on the technologies and costs, maximize the market opportunities in LTE, 5G and the next-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 maximize the returns to its shareholders and the society.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2021, the Group had net current assets of approximately RMB561.6 million (31 December 2020: approximately RMB634.0 million) including inventories of approximately RMB288.2 million (31 December 2020: approximately RMB270.0 million), trade and notes receivables of approximately RMB368.9 million (31 December 2020: approximately RMB506.1 million) and trade and notes payables of approximately RMB463.4 million (31 December 2020: approximately RMB552.6 million).

For the six months ended 30 June 2021, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 234 days (1H 2020: approximately 149 days), 301 days (1H 2020: approximately 256 days) and 425 days (1H 2020: approximately 304 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 2021, the Group pledged bank balance with a value of approximately RMB99.41 million to the bank (31 December 2020: approximately RMB112.8 million), cash and bank balances of approximately RMB343.4 million (31 December 2020: approximately RMB371.9 million) and recorded bank and other borrowings of approximately RMB165.0 million (31 December 2020: approximately RMB164.6 million). The current ratio (current assets divided by current liabilities) increased to approximately 1.86 times as at 30 June 2021 from approximately 1.85 times as at 31 December 2020. The gearing ratio (bank and other borrowings divided by total assets) was approximately 9.2% as at 30 June 2021, while the gearing ratio as at 31 December 2020 was approximately 8.4%.

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 2021, the Group had approximately 2,050 staffs. The total staff costs amounted to approximately RMB114.6 million for the six months ended 30 June 2021. 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 2021, bank balances of approximately RMB99.41 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2021, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB12.54 million. The Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, a total amount of 600,000 shares of the Company had been repurchased at prices ranging from HK\$0.52 per share to HK\$0.53 per share by the Company via Stock Exchange. The Company had subsequently cancelled all these shares repurchased during the period. Save as mentioned above, 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 2021.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

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 2021 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 2021.

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 2021 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 2021 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 2021 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, 20 August 2021

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