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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 2022**

- Revenue increased to approximately RMB323.3 million, representing an increase of approximately 22.8%.
- Gross profit margin decreased from approximately 17.8% in the first half of 2021 to approximately 14.0% in the first half of 2022.
- Loss attributable to owners of the Company was approximately RMB53.04 million.
- Basic loss per share for the six months ended 30 June 2022 was approximately RMB6.50 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 2022 together with the comparative figures for the corresponding period in 2021. 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 2022

		For the six months ended 30 June	
		2022	2021
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	3	323,321	263,227
Cost of sales		<u>(277,976)</u>	<u>(216,330)</u>
Gross profit		45,345	46,897
Other income and expenses	3	18,949	20,794
Research and development expenses		(47,399)	(62,477)
Distribution and selling expenses		(24,366)	(25,547)
Administrative expenses		(44,377)	(51,279)
Finance costs	4	(1,580)	(3,046)
Fair value change on derivative financial instruments		–	(1,105)
Share of results of associates		<u>489</u>	<u>(546)</u>
(Loss) before taxation		(52,939)	(76,309)
Income tax (expenses) credit	5	<u>(105)</u>	<u>18,733</u>
(Loss) and the total comprehensive (expenses) income for the period attributable to owners of the company	6	<u>(53,044)</u>	<u>(57,576)</u>
(Loss) per share			
– basic (RMB cents)	8	<u>(6.50)</u>	<u>(7.04)</u>
– diluted (RMB cents)	8	<u>(6.50)</u>	<u>(7.04)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2022

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	Notes		
Non-current Assets			
Property, plant and equipment		325,899	325,507
Right-of-use assets		32,684	31,625
Deposits for purchase of plant and equipment		13,733	13,240
Deferred tax assets		50,596	50,691
Intangible assets		40,337	47,088
Derivative financial instruments		33	33
Interest in associates		4,538	4,049
		467,820	472,233
Current Assets			
Inventories		210,279	213,113
Trade receivables	9	300,016	308,845
Notes receivable		99,212	138,456
Prepayments, deposits and other receivables		102,610	103,538
Pledged bank balances		100,201	72,167
Bank balances and cash		235,759	250,546
		1,048,077	1,086,665
Current Liabilities			
Trade payables	10	440,864	424,303
Notes payable		139,678	102,888
Other payables and accruals		63,917	72,086
Contract liabilities		10,634	13,347
Bank borrowings		105,000	137,277
Lease liabilities		4,893	4,402
Deferred income		1,985	2,270
		766,971	756,573

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Net Current Assets		<u>281,106</u>	<u>330,092</u>
Total Assets less Current Liabilities		<u>748,926</u>	<u>802,325</u>
Non-current Liabilities			
Lease liabilities		3,529	2,661
Deferred income		<u>3,175</u>	<u>4,019</u>
		<u>6,704</u>	<u>6,680</u>
Net Assets		<u><u>742,222</u></u>	<u><u>795,645</u></u>
Capital and Reserves			
Issued share capital		6	6
Reserves		<u>742,216</u>	<u>795,639</u>
Equity attributable to owners of the Company		<u><u>742,222</u></u>	<u><u>795,645</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2021.

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 2022 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2021.

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:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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 2021 and 2022. 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Segment revenues		
Antenna system	108,853	94,595
Base station RF subsystem	169,862	149,246
Coverage extension solution and others	44,606	19,386
	<u>323,321</u>	<u>263,227</u>
Segment results		
Antenna system	(7,184)	(15,891)
Base station RF subsystem	2,741	2,452
Coverage extension solution and others	2,389	(2,141)
	<u>(2,054)</u>	<u>(15,580)</u>
Reconciliation of segment results to (loss) before taxation:		
Other income and expenses	18,949	20,794
Unallocated corporate expenses	(68,743)	(76,826)
Finance costs	(1,580)	(3,046)
Fair value change on derivative financial instruments	–	(1,105)
Share of results of associates	489	(546)
	<u>(52,939)</u>	<u>(76,309)</u>
(Loss) before taxation		
Other segment information		
Depreciation:		
Antenna system	6,648	6,228
Base station RF subsystem	3,176	3,081
Coverage extension solution and others	410	610
	<u>10,234</u>	<u>9,919</u>
Segment total		
Unallocated amount	4,422	4,074
	<u>14,656</u>	<u>13,993</u>
Group total		
Research and development expenses:		
Antenna system	25,346	36,790
Base station RF subsystem	15,107	17,186
Coverage extension solution and others	6,946	8,501
	<u>47,399</u>	<u>62,477</u>
Group total		

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2021 and 2022.

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 2021. 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Antenna system</i>		
Multi-band/Multi-system antennas	43,668	16,016
Microwave antennas	19,783	3,582
5G antennas	13,111	33,473
Low-band refarming/IoT antennas	11,989	15,766
Multi-beam antennas	8,039	2,551
FDD+TDD antennas	6,489	1,389
WCDMA/FDD-LTE antennas	4,640	7,260
Other antennas	1,134	14,558
	108,853	94,595
<i>Base station RF subsystem</i>		
WCDMA/FDD-LTE RF devices	156,262	130,756
GSM/CDMA RF devices	7,389	2,093
TD/TD-LTE RF devices	2,630	14,235
Low-band refarming/IoT RF devices	64	990
Other devices	3,517	1,172
	169,862	149,246
<i>Coverage extension solution and others</i>		
Aesthetic antennas	43,957	16,245
Customer Premise Equipment	–	1,149
Small Cell	12	34
Other products	637	1,958
	44,606	19,386
	323,321	263,227

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A ¹	76,283	73,238
Customer B ¹	132,245	122,236

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	148,952	132,242
Overseas		
Other countries/areas in Asia	78,451	42,407
Europe	42,559	59,683
Americas	53,353	28,895
Africa	6	—
Subtotal	174,369	130,985
	323,321	263,227

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	
	2022	2021
	(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>323,321</u>	<u>263,227</u>
Other income and expenses		
Government grants	7,185	13,320
Compensation income	74	688
Rental income	6,277	5,591
Interest income	6,615	2,779
Net exchange gain (loss)	4,149	(1,269)
Other (expenses)	<u>(5,351)</u>	<u>(315)</u>
	<u>18,949</u>	<u>20,794</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings		
– wholly repayable within five years	1,326	2,821
Interest on lease liabilities	<u>254</u>	<u>225</u>
	<u>1,580</u>	<u>3,046</u>

5. INCOME TAX (EXPENSES) CREDIT

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	(8)	(6)
Deferred tax	(97)	18,739
	<u>(105)</u>	<u>18,733</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 2022 respectively.

The applicable tax rate of other PRC subsidiaries are 25% for the six months ended 30 June 2022.

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

(Loss) 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	14,656	13,993
Depreciation of rights-of-use assets	2,973	2,565
Cost of inventories recognised as expenses	277,976	216,330
Net exchange (gain) loss	(4,149)	1,269

7. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2020 final dividend	—	—
2021 final dividend	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

At the Board meeting held on 19 August 2022, the Directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2022.

8. (LOSS) PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss)		
(Loss) for the period attributable to owners of the Company		
and (loss) for purpose of basic and diluted (loss) per share	<u>(53,044)</u>	<u>(57,576)</u>

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic (loss) per share	<u>816,509</u>	<u>818,242</u>
Weighted average number of ordinary shares		
for the purpose of diluted (loss) per share	<u>816,509</u>	<u>818,242</u>

The computation of diluted loss per share for the six months ended 30 June 2022 and 2021 did not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price for shares for the six months ended 2022 and 2021.

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
0 to 30 days	71,091	123,924
31 to 60 days	43,991	54,065
61 to 90 days	26,850	38,631
91 to 120 days	26,925	15,033
121 to 180 days	19,228	17,589
Over 180 days	111,931	59,603
	<u>300,016</u>	<u>308,845</u>

10. TRADE PAYABLES

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
0 to 30 days	62,085	97,666
31 to 60 days	56,972	80,369
61 to 90 days	44,441	57,235
91 to 180 days	148,023	63,766
Over 180 days	129,343	125,267
	<u>440,864</u>	<u>424,303</u>

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 2022 amounted to approximately RMB323.3 million, representing an increase of approximately 22.8% as compared with approximately RMB263.2 million in the corresponding period of 2021. Of which, sales of antenna system products increased by approximately 15.1% to approximately RMB108.9 million, sales of base station RF subsystem products increased by approximately 13.8% to approximately RMB169.9 million, and sales of coverage extension solution products and other products increased significantly by approximately 130.1% to approximately RMB44.61 million.

In the first half of 2022, the Company performed well in terms of product quality, thus winning unanimous recognition from domestic and foreign customers. The Company continuously deepened and enhanced its cooperation with operator customers and equipment manufacturer customers, thus continuously increasing the orders. In addition, the Company began to make progress in new businesses, with the continuous implementation of related projects. After the implementation of the cost control measures, the operating expense ratio of the Group decreased and the overall efficiency was also improved. All the above factors contributed to a significant increase in the Group's revenue and profit margin in the first half of 2022 as compared with the corresponding period of last year. 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 telecommunications industry still has development potential, which will bring growth opportunities to the Group's business development. In the meantime, the Group further participates in application in vertical industries and continues to develop new businesses, which are both believed to be its new source of performance 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.

Revenue from antenna system products increased by approximately 15.1% to approximately RMB108.9 million in the first half of 2022 as compared with the corresponding period of 2021 (1H 2021: approximately RMB94.60 million), mainly due to the promotion of new overseas projects. Of which, driven by the increase in the demand of international operators, the Group made further breakthroughs in FDD+TDD antennas, multi-beam antennas and multi-frequency/multi-system antennas, with the sales increasing by approximately 367.1%, 215.2% and 172.6% to approximately RMB6.49 million, approximately RMB8.04 million and approximately RMB43.67 million respectively as compared with the corresponding period of 2021. Meanwhile, the Group had deeper cooperation with international equipment manufacturers in the microwave series of products, with the sales of microwave antennas significantly increased by approximately 452.2% as compared with the corresponding period of 2021 to approximately RMB19.78 million, as well as the cooperation in orders for relevant products including microwave transmission lines, microwave accessories and microwave devices.

In the first half of 2022, the Group's cooperation with domestic and foreign customers in orders grew steadily, especially in deepening the expansion of its presence in overseas markets, and the Group received positive comments from key customers. In terms of antenna products, the Group continuously had new projects implemented, with good growth momentum. At present, overseas demand for 4G network construction is in the ascendant, and some countries and regions gradually start 5G network construction. Based on the continuous expansion of the presence of the Group in the overseas operator market over the years, on the one hand, it steadily promoted the preparation of a short list of international operator customers, and on the other hand, it actively expanded the categories of antenna system products. The demand of the Group's overseas related projects will be gradually released, which will also create continuous market opportunities and help secure orders. In addition, with the implementation of the "14th Five-Year" Plan, the development prospect of the domestic telecommunications industry remains very promising, and the demand of major domestic operators for 5G network construction will be gradually released. The Group believes that the large-scale construction of 5G network and overseas growth will provide a strong impetus to the growth of the antenna business of the Group in the coming years.

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. The Group continuously maintained its position as a leading supplier of telecommunications equipment manufacturers in the world. Due to the increase in order demand from major domestic and international equipment manufacturer customers, for the six months ended 30 June 2022, revenue from base station RF subsystem products increased by approximately 13.8% as compared with the corresponding period of 2021 to approximately RMB169.9 million (1H 2021: approximately RMB149.2 million). Of which, in the first half of 2022, the sales of WCDMA/FDD-LTE RF products increased by 19.5% as compared with the corresponding period of 2021 to approximately RMB156.3 million, while new breakthroughs were made in 5G metal RF products and GSM/CDMA RF products, with a significant increase of approximately 2,414.4% and 253.0% respectively as compared with the corresponding period of last year to approximately RMB2.91 million and approximately RMB7.39 million.

In the first half of 2022, the Group stably 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 productions. In recent years, the sales revenue from the Group's RF business accounted for a larger percentage and maintained a sustained and rapid growth trend, mainly due to a steady increase in the Group's market share and delivery ratio as a result of the enhanced cooperation with major leading equipment manufacturer customers in the world and the recognition of product quality performance of the Group. Meanwhile, 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 there remains room for the continuous growth of base station RF subsystem products in the future, on the one hand, due to domestic 5G network construction starting high and low frequency collaborative networking, on the other hand, continuous implementation of overseas construction of 4G networks, as well as the gradual implementation 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, driving 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, participating more in the construction of a new ecology in the 5G era and continuing to develop new businesses. In the first half of 2022, the Group's sales of coverage extension solutions and other products increased significantly by approximately 130.1% as compared with the corresponding period in 2021, to approximately RMB44.61 million (1H 2021: approximately RMB19.39 million), mainly because driven by a significant increase in order demand for aesthetic antennas products, the sales increased significantly by approximately 170.6% as compared with the corresponding period in 2021 to approximately RMB43.96 million. The Group is full of confidence in the future diversified product portfolio and new business expansion. The Group believes that the gradual resumption of construction of related capital projects, the exploration of 5G application in many fields and expansion and development of new businesses will create new sources of growth for it.

Customer

In the first half of 2022, 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.

In the first half of 2022, the Group's sales to major operator customers in China increased by approximately 29.0% as compared with the corresponding period of 2021 to approximately RMB48.75 million, and accounted for approximately 15.1% of the total revenue for the current period. At present, the Group continuously deepens and enhances its cooperation with major domestic operators. On the one hand, the number of bids won for 5G indoor distribution products and the number of orders fulfilled increased continuously. On the other hand, the Group participated in projects of major operators including aesthetic series and RF devices and continuously optimized its 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 these projects will bring continuous growth room.

In the first half of 2022, due to the demand for large-scale construction of base stations, the Group's sales to equipment manufacturer customers in China increased by approximately 3.9% as compared with the corresponding period of last year to approximately RMB76.28 million and accounted for approximately 23.6% of the total revenue in the first half of 2022. The Group always maintained its position as a major supplier of major equipment manufacturers in China and strategic cooperation with them. The continuous construction of the domestic 5G network in the future will also provide opportunities for continuous business growth.

Due to the overseas COVID-19 pandemic and OMICRON outbreak, the demand for mobile network construction in certain countries and regions slowed down. However, with strong R&D technology and product quality, as well as the accumulation of long-term stable cooperation, the proportion of sales revenue of export business of the Group continued to grow and its market share and delivery ratio among international equipment manufacturer customers has increased steadily. In the first half of 2022, the Group's sales to international equipment manufacturer customers increased by approximately 12.7% to approximately RMB141.8 million, as compared with the corresponding period of last year, and accounting for its proportion in total revenue in the first half of 2022 was approximately 43.9%. The Group maintained 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, the resuming of demand for international mobile network construction, the strengthening of cooperation and communication with overseas customers and the continuous provision of cost-effective products, overseas markets will bring opportunities for sustained growth for the business of the Group.

The Group has always adhered to the important strategy of international development. In 2022, the Group further expanded its presence in overseas operator markets. With the Group's continuous expansion of the overseas operator market over the years, sales increased significantly by approximately 193.2% as compared with the corresponding period of last year to approximately RMB49.86 million, and accounting for its proportion in total revenue in the first half of 2022 increased to approximately 15.4%. Currently, the capital expenditures of global operators indicated cyclical changes, except that in some emerging markets (such as 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 there will be continuous growth opportunities in the future.

Gross Profit

The Group's gross profit decreased by approximately RMB1.55 million or approximately 3.3% from approximately RMB46.90 million in the first half of 2021 to approximately RMB45.35 million in the first half of 2022.

For the six months ended 30 June 2022, the Group's overall gross profit margin decreased to approximately 14.0%, as compared with approximately 17.8% of the corresponding period last year, mainly due to the combined effects of the rising prices of bulk commodities and raw materials, coupled with the increase in labor costs and product costs. The Group will continue to improve 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 8.9% from approximately RMB20.79 million in the first half of 2021 to approximately RMB18.95 million in the first half of 2022, mainly due to a decrease in the government subsidies obtained by the Group and an increase in other expenses.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 4.6% from approximately RMB25.55 million in the first half of 2021 to approximately RMB24.37 million in the first half of 2022, primarily due to the decrease in staff wages, fair and exhibition fees, logistic fees, consulting fees and social insurance charges.

Administrative Expenses

Administrative expenses decreased by approximately 13.5% from approximately RMB51.28 million in the first half of 2021 to approximately RMB44.38 million in the same period of 2022, mainly due to (1) the decrease in costs including wages, travel expenses, labor union dues, welfare expenses, maintenance costs and other insurance expenses and (2) the significant decrease in expenses such as office expenses, fees for auditing, advising and consulting and recruitment and personnel agency fees.

Research and Development Expenses

For the six months ended 30 June 2022, the Group recognised capitalization expenses of approximately RMB5.52 million. After the capitalization, research and development expenses decreased by approximately 24.1% from approximately RMB62.48 million in the first half of 2021 to approximately RMB47.40 million in the first half of 2022, which was mainly attributable to adjustment of the research and development personnel structure, and the decrease in costs including wages, rental expenses, travel expenses, R&D materials costs, testing fees, transportation costs, social insurance charges and welfare expenses.

Finance costs

Finance costs decreased significantly by approximately 48.2% from approximately RMB3.05 million in the first half of 2021 to approximately RMB1.58 million in the first half of 2022, mainly due to a decrease in the related interest expenses arising out of a decrease in bank borrowings and a significant increase in the interest income arising out of the effective idle cash reserves.

Loss before Taxation

Loss before taxation for the first half of 2022 was approximately RMB52.94 million, while loss before taxation for the corresponding period in 2021 was approximately RMB76.31 million. The loss decreased significantly by approximately 30.6% as compared with the corresponding period of last year, representing a significant improvement trend in profitability. Net profit margin before tax charges increased from approximately -29.0% in the first half of 2021 to approximately -16.4% in the first half of 2022.

Income Tax Expenses

The Group's income tax expenses for the first half of 2022 was approximately RMB0.105 million, while the Group's income tax credit for the first half of 2021 was approximately RMB18.73 million. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 24.5% in the first half of 2021 and approximately -0.2% in the first half of 2022, respectively.

Loss for the Reporting Period

Loss for the first half of 2022 was approximately RMB53.04 million, while loss for the corresponding period in 2021 was approximately RMB57.58 million. Loss for the reporting period showed an improving trend as compared with the same period of 2021. The Group's net profit margin was approximately -16.4% for the first half of 2022, as compared with approximately -21.9% for the same period of 2021.

FUTURE PROSPECTS

Looking forward, the Group will continue to pay attention to both domestic and overseas markets simultaneously to strengthen the relationship with domestic customers while firmly deepening its international development path. In terms of customers, the Group will actively explore the diversification of customer structure, continuously expand the ToB customer base category, and explore the ToC business to tap into the customer base. In terms of products, the Group will continue to be deeply engaged in the wireless mobile field, and focus on traditional businesses including antenna system business and RF subsystem business, and give full play to its advantages of technology accumulation. Meanwhile, the Group will actively explore the application areas in the "5G+" vertical industry and new business areas including energy conservation and new energy, and continuously explore growth opportunities in new business areas. In addition, the Group will further implement cost and expense control strategies to achieve both revenue and profit growth in the future.

With the promotion of large-scale construction of the 5G network in China, the 5G network will profoundly change the industrial structures with its advantages including high speed, low latency, large bandwidth and wide coverage, and help open a new era of internet of everything, thus becoming the driving force for a new wave of science and technology and industrial changes. In November 2021, the Ministry of Industry and Information Technology issued the "14th Five-Year" Plan for the Development of the Information and Telecommunications Industry, which specifies the major indicators for the development of the telecommunications industry during the "14th Five-Year" Plan period. In March 2022, the State Council further emphasized in the government work report that efforts should be made to "continuously promote the development of digital economy including 5G and industrial Internet, build digital information infrastructure, promote the large-scale application of 5G and the digital transformation of industries, and develop intelligent cities and digital villages." The Ministry of Industry and Information Technology said that "2022 will be a critical year for the large-scale development of 5G applications. Efforts will be made to continuously improve the coverage of the 5G network and accelerate the deep integration of 5G and vertical industries." On the one hand, the steady investment will be made in 5G infrastructure construction in the next three to five years, and the construction objectives will gradually become clear with the implementation of the "14th Five-Year" Plan. On the other hand, with the gradual progress in construction, the downstream supporting applications will gradually mature, thus further promoting the relevant construction of 5G. It is believed that under the guidance of the "14th Five-Year" Plan of the Central Committee of the Communist Party of China, with the policy and industry support of the local government, and the continuous large-scale construction of the 5G network and the deep integration of vertical industries in the future, there will be new opportunities for industrial development and integration, and the fundamentals of the telecommunications industry will also continuously improve.

International development has always been an important strategy of the Group. With regard to overseas markets, 4G construction remains in progress. There is a large demand for 4G network construction and transformation in some developing countries and emerging markets (such as Africa, Latin America, Southeast Asia and other regions), as the overseas 4G penetration rate is not high. While 5G starts entering the start-up stage, with some countries and regions beginning to deploy/carry out pilot commercialization of 5G network. The global 5G capital expenditure is expected to further increase. According to the forecast of GSMA, from 2021 to 2025, approximately 80% of investments of global operators in mobile communications will be used to cover 5G capital expenditures. 5G usage is on the rise in leading markets, with total global 5G connections reaching 1 billion by 2022 and accounting for a quarter of total mobile connections by 2025. In the future, with the gradual saturation of overseas 4G network markets, the introduction of 5G in foreign countries will have a counter-cyclical impact on us and will also bring new opportunities. The Group will further expand its presence in overseas operator markets and will be continuously included in the shortlist by major multinational and regional operators, thus continuously increasing the Company's share in the global market in the long term. The Group is also strengthening strategic partnerships with international equipment manufacturer to maintain a steady increase trend in market share and delivery percentage. The continuous expansion of presence in the global market will help advance the upward development in the next few years and achieve sustained growth for a longer period.

In addition to the continuous consolidation of the traditional business, the Group also begins to make efforts in the new business direction, expanding its presence in energy conservation and new energy, and accelerating the process of industrial transformation. At present, the explosive growth of new energy scenarios provides new room for the growth of the telecommunications industry: In respect of communications technology, rich experience in products and solutions is accumulated in application scenarios including optical communications (fiber optic cables), communication base stations, backup power supply, and 5G. Against the background of the energy revolution, there will be broad growth room in the future. However, the homology of the underlying technologies, the scalability of production lines, the interoperability of pipelines and the greater demand on reliability and stability of communication technologies give communication enterprises certain advantages in new energy. Due to the policy of carbon peaking and carbon neutrality, the new energy business of enterprises in relation to "telecommunications + new energy" will show high flexibility and is expected to become another source of growth for the Group. The in-depth cooperation with the traditional customers and the new source of growth from new businesses will help the Group gain more market share in the future.

Customers

The Group persists in the vision and goal of "becoming the world's first-class supplier of RF technology for mobile communications." The Group is committed to providing RF technology solutions to global leading system equipment manufacturers and telecommunication 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, which enables the Group to maintain a continuous leading edge in product technology and continuous expansion of customer channels.

In 2022, in terms of traditional customers, the Group's relevant strategic cooperation with domestic and overseas operators and equipment manufacturers was continuously broadened and deepened. From the perspective of cooperation with operators, on the one hand, the Group maintained its close and in-depth strategic cooperation with domestic operators in macro base station antennas, integrated aesthetic antennas, RF devices, indoor distribution projects, aesthetic comprehensive solutions, special scenario coverage, etc. On the other hand, the Group continuously consolidated and made breakthroughs in the short list of international operators, and maintained a continuous growth trend of its overseas direct selling business, with the areas of cooperation covering Asia, Europe and the Americas. The Group made continuous breakthroughs in multi-frequency/multi-system antennas, FDD+TDD antennas and multi-beam antennas. With the gradual control of the pandemic at home and abroad and the continuous implementation of relevant policies, the demand of operators for network construction will be released continuously, which will also contribute to the stable growth of the operator business of the Group. With regard to cooperation with equipment manufacturers, the Group always maintained its position as a major supplier of major domestic and international equipment manufacturers, with its leading advantages in terms of product technology, quality performance, customer communication, etc. In 2022, the Group further strengthened its cooperation with the world's leading telecommunications equipment manufacturers and continuously secured orders for various RF devices and microwave series of products, thus steadily increasing its market share and delivery ratio. With the continuous introduction of 5G in the world and the acceleration of the large-scale construction process, the voice of the equipment manufacturers will be further enhanced, and the degree of strategic cooperation with system equipment manufacturers will largely determine the market share of the 5G antenna and RF subsystem business. The Group's close strategic partnership with domestic and international equipment manufacturers will make the Company's advantages more prominent in the future market.

In terms of potential customers, the Group also persisted in expanding its customer base while carrying out industrial upgrading and transformation. In 2022, the Group enhanced its exploration of new business areas, with its foray into various projects such as energy-saving solutions, intelligent terminals and parks, some of which were implemented. The change in the business model also resulted in the optimization of the customer structure. In 2022, the Group made a breakthrough in terms of acquiring government customers, enterprise customers and customer base. This will also lay the foundation for the Group's future expansion of sales channels and results improvement.

The Group is confident in its annual results of operation for 2022.

Products

The Group has been deeply engaged in wireless communications field for more than 20 years. It is one of the few enterprises in China that simultaneously makes arrangements for antenna system and RF subsystem business lines. It has great advantages in terms of product line arrangements and technology accumulation. Domestically, from the official release of 5G licenses by the Ministry of Industry and Information Technology in 2019 to the issuance of a 10-year license for the use of 5G medium and low-frequency use licenses in 2020, the major four domestic operators have covered multiple frequency bands. Of which, the low-frequency band was used as the coverage layer, the medium-frequency band was used as the continuous capacity layer, and the high-frequency band was used as the hotspot capacity layer. 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. With the implementation of the “14th Five-Year” Plan and relevant policies, on the one hand, the high and low-frequency collaborative networking for 5G starts, 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 need of the roof reconstruction of existing base stations. On the other hand, driven by the 5G network construction, the process of digital transformation in various fields has been accelerated. 5G application will probably develop more explosively, while the vertical application is expected to emerge gradually. Globally, despite the popularization of LTE network, its overall development remains highly unbalanced, with the long-term imbalance between regions. And the construction of LTE network will still continue. Meanwhile, the global 5G is gradually introduced, and some countries and regions begin to deploy/test commercial 5G networks, which will also create new demand for overseas 5G base stations in the future, thus driving the growth in the demand for products including antenna systems and RF subsystems. 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. Moreover, the Group has strong technological advantages in deploying 5G overseas due to the leading 5G technology in China, which also greatly improves the competitiveness of the Group. At present, 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 and hybrid beam antenna 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. The Group also persists in taking scientific and technological innovation as the core driving force for enterprise development and conducts research and development on potential new projects to cope with occasional iteration of technical solutions. In the first half of 2022, the Group won China’s Patent Excellence Award for its invention patent “ceramic dielectric filters”, which also shows another breakthrough made by the Group in RF technology. 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, development and mass production, and has supplied goods massively. In conclusion, the Group believes that with its leading position in technologies of 5G antennas and RF subsystems, and the integrated and source-based development of antenna and RF subsystem, its technology and customer accumulation in these two segments will enable it to make progress in 5G network construction.

In addition to its deep engagement in the traditional business, the Group has started to make arrangements for new business areas in recent years to overcome the bottlenecks of the traditional business, thus coping with more intense market challenges in the future. There are rich application scenarios generated in the 5G era, and new business forms in vertical industries. The Ministry of Industry and Information Technology also said that efforts would be made to continuously improve the 5G network coverage in the future and accelerate the deep integration of 5G and vertical industries. Diversified product demand will provide broad market space. Meanwhile, the explosive growth of new energy scenarios provides new room for the growth of the communications industry under the support of the national policy of carbon peaking and carbon neutrality. The Group has made business arrangements for development, and product solutions in ToB industry-specific network coverage solutions, application solutions for the ToB industry, solutions for third-generation semiconductor application products, photovoltaic complementary power generation integration solutions for the ToB industry and solutions for new energy-saving materials, etc. The Group has achieved positive results and breakthroughs, with the small-scale implementation of indoor distributed photovoltaic projects, gallium nitride fast-charging products, intelligent park renovation projects, etc. Some of the projects have also passed tests and are expected to support the Group's continuous business growth in the future.

The Group is of the opinion that through continuous accumulation in the early stage, the new business aspect will help the Group to achieve continuous growth in performance. With the continuous expansion and deepening of services and cooperation interfaces with domestic and overseas operators and equipment manufacturers as well as the continuous expansion of new businesses, it is believed that it will help increase the market share of the Group and bring more new opportunities for business growth of the Group in the future.

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. At the same time, the Group will also actively explore new business areas to enhance its integrated competitiveness, ensuring 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, the Group has funded the Group's operations and capital requirements from cash generated from operations, trade credit from our suppliers and short-term bank borrowings. Our primary uses of cash have been for 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 2022, the Group had net current assets of approximately RMB281.1 million (31 December 2021: approximately RMB330.1 million), including inventories of approximately RMB210.3 million (31 December 2021: approximately RMB213.1 million), trade and notes receivables of approximately RMB399.2 million (31 December 2021: approximately RMB447.3 million) and trade and notes payables of approximately RMB580.5 million (31 December 2021: approximately RMB527.2 million).

For the six months ended 30 June 2022, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 138 days (1H 2021: approximately 234 days), 237 days (1H 2021: approximately 301 days) and 361 days (1H 2021: approximately 425 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 2022, the Group pledged bank balance with a value of approximately RMB100.2 million to the bank (31 December 2021: approximately RMB72.17 million), cash and bank balances of approximately RMB235.8 million (31 December 2021: approximately RMB250.5 million) and recorded bank borrowings of approximately RMB105.0 million (31 December 2021: approximately RMB137.3 million). The current ratio (current assets divided by current liabilities) decreased to approximately 1.37 times as at 30 June 2022 from approximately 1.44 times as at 31 December 2021. The gearing ratio (bank borrowings divided by total assets) was approximately 6.9% as at 30 June 2022, while the gearing ratio as at 31 December 2021 was approximately 8.8%.

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 2022, the Group had approximately 1,869 staffs. The total staff costs amounted to approximately RMB101.5 million for the six months ended 30 June 2022. 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 2022, bank balances of approximately RMB100.2 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2022, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB14.89 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 2022, a total amount of 1,620,000 shares of the Company had been repurchased at prices ranging from HK\$0.245 per share to HK\$0.375 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 2022.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

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 2022 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 2022.

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 2022 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 2022 INTERIM REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.mobi-antenna.com). The 2022 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, 19 August 2022

As at the date of this announcement, the executive director is Mr. HU Xiang; 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.