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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 2023**

- Revenue increased to approximately RMB345.7 million, representing an increase of approximately 6.9%.
- Gross profit margin increased from approximately 14.0% in the first half of 2022 to approximately 20.1% in the first half of 2023.
- Loss attributable to owners of the Company was approximately RMB3.47 million.
- Basic loss per share for the six months ended 30 June 2023 was approximately RMB0.43 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 2023 together with the comparative figures for the corresponding period in 2022. 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 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue	3	345,737	323,321
Cost of sales		<u>(276,177)</u>	<u>(277,976)</u>
Gross profit		69,560	45,345
Other income and expenses	3	29,390	18,949
Research and development expenses		(35,779)	(47,399)
Distribution and selling expenses		(21,900)	(24,366)
Administrative expenses		(41,816)	(44,377)
Finance costs	4	(3,079)	(1,580)
Share of results of associates		<u>225</u>	<u>489</u>
(Loss) before taxation		(3,399)	(52,939)
Income tax (expenses)	5	<u>(71)</u>	<u>(105)</u>
(Loss) and the total comprehensive (expenses) for the period attributable to owners of the company	6	<u>(3,470)</u>	<u>(53,044)</u>
(Loss) per share			
– basic (RMB cents)	8	<u>(0.43)</u>	<u>(6.50)</u>
– diluted (RMB cents)	8	<u>(0.43)</u>	<u>(6.50)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	Notes		
Non-current Assets			
Property, plant and equipment		271,589	280,529
Right-of-use assets		23,754	24,087
Deposits for purchase of plant and equipment		12,214	13,136
Deferred tax assets		42,981	43,026
Intangible assets		13,715	17,917
Interest in associates		4,825	4,600
		369,078	383,295
Current Assets			
Inventories		199,692	180,836
Trade receivables	9	301,034	302,581
Notes receivable		78,329	84,578
Prepayments, deposits and other receivables		72,046	94,877
Pledged bank balances		136,697	89,791
Bank balances and cash		191,829	174,275
		979,627	926,938
Current Liabilities			
Trade payables	10	437,840	403,729
Notes payable		169,782	178,701
Other payables and accruals		80,049	108,144
Contract liabilities		20,799	6,102
Bank borrowings		72,000	38,560
Lease liabilities		2,748	3,630
Deferred income		1,723	1,786
		784,941	740,652

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Net Current Assets		<u>194,686</u>	<u>186,286</u>
Total Assets less Current Liabilities		<u>563,764</u>	<u>569,581</u>
Non-current Liabilities			
Lease liabilities		1,115	2,220
Deferred income		<u>1,603</u>	<u>2,367</u>
		<u>2,718</u>	<u>4,587</u>
Net Assets		<u><u>561,046</u></u>	<u><u>564,994</u></u>
Capital and Reserves			
Issued share capital		6	6
Reserves		<u>561,040</u>	<u>564,988</u>
Equity attributable to owners of the Company		<u><u>561,046</u></u>	<u><u>564,994</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2022.

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 2023 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2022.

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:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2022 and 2023. 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenues		
Antenna system	106,878	108,853
Base station RF subsystem	217,900	169,862
Coverage extension solution and others	20,959	44,606
	<u>345,737</u>	<u>323,321</u>
Segment results		
Antenna system	73	(7,184)
Base station RF subsystem	33,336	2,741
Coverage extension solution and others	372	2,389
	<u>33,781</u>	<u>(2,054)</u>
Reconciliation of segment results to (loss) before taxation:		
Other income and expenses	29,390	18,949
Unallocated corporate expenses	(63,716)	(68,743)
Finance costs	(3,079)	(1,580)
Share of results of associates	225	489
(Loss) before taxation	<u>(3,399)</u>	<u>(52,939)</u>
Other segment information		
Depreciation:		
Antenna system	4,691	6,648
Base station RF subsystem	3,665	3,176
Coverage extension solution and others	341	410
Segment total	8,697	10,234
Unallocated amount	6,177	4,422
Group total	<u>14,874</u>	<u>14,656</u>
Research and development expenses:		
Antenna system	19,662	25,346
Base station RF subsystem	11,400	15,107
Coverage extension solution and others	4,717	6,946
Group total	<u>35,779</u>	<u>47,399</u>

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales during the six months ended 30 June 2022 and 2023.

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 2022. 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Antenna system</i>		
Multi-band/Multi-system antennas	80,091	43,668
FDD+TDD antennas	9,809	6,489
Multi-beam antennas	6,424	8,039
Microwave antennas	6,067	19,783
5G antennas	–	13,111
Low-band refarming/IoT antennas	–	11,989
WCDMA/FDD-LTE antennas	–	4,640
Other antennas	4,487	1,134
	106,878	108,853
<i>Base station RF subsystem</i>		
WCDMA/FDD-LTE RF devices	209,475	156,262
TD/TD-LTE RF devices	4,821	2,630
GSM/CDMA RF devices	2,113	7,389
Low-band refarming/IoT RF devices	1,281	64
Other devices	210	3,517
	217,900	169,862
<i>Coverage extension solution and others</i>		
Aesthetic antennas	9,981	43,957
Indoor antennas and devices	4,172	–
Small Cell	–	12
Other products	6,806	637
	20,959	44,606
	345,737	323,321

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A ¹	66,145	76,283
Customer B ¹	174,240	132,245
Customer C ²	47,915	N/A ³

¹ Revenue mainly from antenna system and base station RF subsystem

² Revenue mainly from antenna system

³ The corresponding revenue of Customer C did not contribute over 10% of the total revenue of the Group for the six months end 30 June 2022.

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC	133,746	148,952
Overseas		
Other countries/areas in Asia	102,966	78,451
Europe	92,232	42,559
Americas	16,793	53,353
Africa	–	6
Subtotal	211,991	174,369
	345,737	323,321

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	
	2023	2022
	(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>345,737</u>	<u>323,321</u>
Other income and expenses		
Government grants	8,447	7,185
Compensation income	187	74
Rental income	5,742	6,277
Interest income	1,888	6,615
Net exchange gain	9,237	4,149
Other income (expenses)	<u>3,889</u>	<u>(5,351)</u>
	<u>29,390</u>	<u>18,949</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings		
– wholly repayable within five years	2,953	1,326
Interest on lease liabilities	<u>126</u>	<u>254</u>
	<u>3,079</u>	<u>1,580</u>

5. INCOME TAX (EXPENSES)

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC income tax	(20)	(8)
Deferred tax	(51)	(97)
	<u>(71)</u>	<u>(105)</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 2023 respectively.

The applicable tax rate of other PRC subsidiaries are 25% for the six months ended 30 June 2023.

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

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	14,874	14,656
Depreciation of rights-of-use assets	2,302	2,973
Cost of inventories recognised as expenses	276,177	277,976
Net exchange (gain)	(9,237)	(4,149)

7. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period:		
2021 final dividend	—	—
2022 final dividend	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

At the Board meeting held on 18 August 2023, the Directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2023.

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	
	2023	2022
	(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>(3,470)</u>	<u>(53,044)</u>
	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	Shares'000	Shares'000
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic (loss) per share	<u>812,137</u>	<u>816,509</u>
Weighted average number of ordinary shares		
for the purpose of diluted (loss) per share	<u>812,137</u>	<u>816,509</u>

The computation of diluted loss per share for the sixth months ended 30 June 2023 and 2022 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 2023 and 2022.

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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
0 to 30 days	89,560	83,251
31 to 60 days	42,587	44,346
61 to 90 days	29,194	42,910
91 to 120 days	27,522	18,270
121 to 180 days	20,325	33,096
Over 180 days	91,846	80,708
	301,034	302,581

10. TRADE PAYABLES

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
0 to 30 days	82,753	69,999
31 to 60 days	72,429	53,456
61 to 90 days	61,645	38,855
91 to 180 days	75,408	88,539
Over 180 days	145,605	152,880
	437,840	403,729

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 2023 amounted to approximately RMB345.7 million, representing an increase of approximately 6.9% as compared with approximately RMB323.3 million in the corresponding period of 2022. Of which, sales of antenna system products decreased by approximately 1.8% to approximately RMB106.9 million, sales of base station RF subsystem products increased significantly by approximately 28.3% to approximately RMB217.9 million, and sales of coverage extension solution products and other products decreased significantly by approximately 53.0% to approximately RMB20.96 million.

In the first half of 2023, the Group achieved further breakthroughs in both the domestic and overseas markets. In particular, the Group won the centralized procurement bidding of major domestic operators and maintained close cooperation with international equipment manufacturer customers, so that orders and shipments continued to rise. With the continuous deepening and strengthening of cooperation with domestic and foreign operators and equipment manufacturer customers, our product quality and delivery capability obtained the unanimous recognition of customers. In addition, the Group has stepped up its efforts in the development of business areas such as energy saving/new energy in recent years, and relevant projects have been gradually implemented. The Group has continued to implement effective cost management in internal operations, with gross profit margin increasing significantly year-on-year and profitability continuing to improve. The expense structure has also been continuously optimized, with expense control measures continuing to be put in place, the overall expense scale declining and operational efficiency being enhanced. All of the above factors have resulted in a significant improvement in the Group's revenue and profit margin for the first half of 2023 as compared to the corresponding period of the previous year. In addition, as revenue from some of the projects is expected to be recognized in the second half of 2023 and after, this will have a positive impact on the Group's full-year revenue for 2023. In the future, the Group will focus on the global market simultaneously and further deepen its participation in the construction of global communications networks. We believe that the continued consolidation of the traditional business and the sustained efforts in business areas such as energy saving/new energy will bring further performance growth to the Group.

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 decreased by approximately 1.8% to approximately RMB106.9 million in the first half of 2023 as compared with the corresponding period of 2022 (1H 2022: approximately RMB108.9 million). Currently, changes in the 5G construction mode in China have led to changes in the product structure, with the procurement method of base station antennas evolving from the original “bundling” to the current “unpacking”, and the frequency band of the 5G construction evolving also from high-frequency band to predominantly medium and low-frequency band, resulting in changes in the shape of base station antennas. As a result, the revenue share of the Group attributable to antenna products such as 5G antennas and low-band refarming/IoT antennas decreased, while the revenue share of the Group attributable to multi-band/multi-system antenna products increased. The Group actively participated in the construction of medium and low-frequency band networks of domestic operators and won major base station antenna centralized procurement bids, with orders and shipments continuing to climb in the first half of the year. As revenue from certain projects of the operators is expected to be recognized in the second half of 2023 and after, this will also have a certain impact on the revenue from antenna systems in the first half of 2023. In addition, driven by the demand of international operators, FDD+TDD antennas, multi-band/multi-system antennas as well as other antenna products still achieved further breakthroughs, with sales increasing significantly by approximately 51.1%, 83.4% and 295.8% over the corresponding period in 2022 to approximately RMB9.81 million, approximately RMB80.09 million and approximately RMB4.49 million, respectively.

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 international equipment manufacturer customers, for the six months ended 30 June 2023, revenue from base station RF subsystem products increased by approximately 28.3% as compared with the corresponding period of 2022 to approximately RMB217.9 million (1H 2022: approximately RMB169.9 million). Of which, in the first half of 2023, the sales of WCDMA/FDD-LTE RF products increased by approximately 34.1% as compared with the corresponding period of 2022 to approximately RMB209.5 million, while new breakthroughs were made in Low-band refarming/IoT RF products and TD/TD-LTE RF products, with a significant increase of approximately 1,914.7% and approximately 83.3% respectively as compared with the corresponding period of last year.

In the first half of 2023, the Group steadily secured a number of research and development projects and market orders including those for filters, combiners and diplexer, from major system equipment manufacturers (such as ZTE and Nokia) in the world, and achieved large-scale production, and a steady increase in the market share and delivery ratio especially among international equipment manufacturers. Benefiting from the further deepening of cooperation with major global leading equipment manufacturer customers, the Group’s RF business orders have been on the rise and its share of sales revenue has continued to grow in recent years. Meanwhile, the Group successively won the bid for RF device projects of major domestic operators and some overseas operators, and achieved large-scale delivery. The Group believes that with the further advancement of global 5G network construction, there remains room for the continuous growth of base station RF subsystem products 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, opening up the second and third growth curves and participating more in the construction of a new ecology in the 5G era. In the first half of 2023, sales of the Group's aesthetic antennas decreased by approximately 77.3% to approximately RMB9.98 million as compared to the corresponding period of 2022 as a result of the decline in the current market demand for aesthetic products, which in turn led to the decrease in sales of the Group's coverage extension solutions and other products by approximately 53.0% to approximately RMB20.96 million in the first half of 2023 as compared to the corresponding period of 2022 (1H 2022: approximately RMB44.61 millions). However, the Group successively won a number of projects of domestic operators, government and enterprises, involving various products such as indoor distributed antenna and devices, ICT. Meanwhile, with the accumulation of technology, products and customers, the Group has continued to make breakthroughs in several business areas such as gallium nitride end products, distributed photovoltaic, and its research and development capability as well as delivery capacity has been increasingly strengthened. The Group is full of confidence in the future diversified product portfolio and new business expansion. The Group believes that through its upfront product and business deployment, the rising demand for indoor distributed products, coupled with the broad market outlook in the energy saving/new energy sector, will create sustained growth potential for the Group.

Customer

In the first half of 2023, the Group noticed that changes in 5G construction model 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 2023, the Group's sales to major operator customers in China increased by approximately 15.3% as compared with the corresponding period of 2022 to approximately RMB56.21 million, and accounted for approximately 16.3% of the total revenue for the current period. With the change of 5G construction mode, domestic operators are mainly focusing on the construction of medium and low-frequency bands. Previously, the Group secured a 16% share in the "2022 China Unicom Base Station Antenna Centralized Procurement Project", which mainly focuses on the construction of 900M frequency band, and the related demand continued to be released in the first half of 2023, and the Group's shipments of the same also continued to rise. The delivery of the project is expected to be carried out in phases, with the first phase to be delivered in 2023, and is currently progressing smoothly. On the one hand, the Group actively participates in the construction of domestic communications networks, and the cooperation interface with major domestic operators has been deepening, with the scale of bids won and order deliveries continuing to rise; on the other hand, the Group continuously to optimize its product structure and participates in the projects of major operators including base station antenna series, indoor antenna series, aesthetic antenna series, and RF device series. With the continuous advancement of medium and low-frequency band deployment and construction by domestic operators, as well as the expected large-scale commercial application of 5G, the Group believes that the opportunities for these 5G network construction will also provide room for continuous growth.

In the first half of 2023, the Group's sales to equipment manufacturer customers in China decreased by approximately 13.3% to approximately RMB66.15 million as compared to the same period last year, accounting for approximately 19.1% of the total revenue in the first half of 2023 due to the difference in the construction cycle of the end customers. However, the Group still enjoys the advantage of being a major supplier of major equipment manufacturers in China and maintains strategic cooperation with them to capture a significant market share. Meanwhile, the Group's expanding cooperation with its major equipment manufacturer customers in China in research and development projects as well as product categories is also expected to contribute to deep cooperation among the Group's various product lines in the future, which in turn will have a positive impact on revenue.

The Group has always adhered to the strategic direction of international development, and the share of sales revenue from the export business has continued to maintain a growth momentum, while the market share and delivery ratio to international equipment manufacturer customers increased steadily. In the first half of 2023, the Group's sales to international equipment manufacturer customers increased by approximately 27.1% to approximately RMB180.2 million as compared to the same period last year, accounting for approximately 52.1% of the total revenue in the first half of 2023. In order to cater the constantly updated product demands from international equipment manufacturer customers, the Group has continued to optimize its research and development technologies, enhance its product quality, and maintain long-term and stable relationships with global leading equipment manufacturer customers, resulting in rising market shares and orders and increasing brand recognition. In the future, with the advancement of global communications network construction, the Group will strengthen cooperation and exchanges with international equipment manufacturer customers and continue to provide cost-effective products. It is believed that the business of international equipment manufacturers will continue to be a strong performance growth point of the Group in the future.

In the first half of 2023, due to the temporary fluctuation of orders from the Group's overseas operator customers, the sales scale decreased by approximately 27.8% to approximately RMB36.01 million as compared to the same period last year, accounting for approximately 10.4% of the total revenue in the first half of 2023. Currently, the capital expenditures of global operators changed cyclically, except that in some emerging markets (such as Africa, Southeast Asia and other regions), there was still large room for 4G network construction or transformation, and in many countries and regions, 5G construction was accelerated. 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 will continue to increase with huge market potential. At present, the Group has continually received overseas orders and will continue to persist in the continuous expansion of overseas sales channels and overseas operator customers, which will bring opportunities for sustained business growth in the future.

Gross Profit

The Group's gross profit increased by approximately RMB24.21 million or approximately 53.4% from approximately RMB45.35 million in the first half of 2022 to approximately RMB69.56 million in the first half of 2023.

For the six months ended 30 June 2023, the Group's overall gross profit margin increased to approximately 20.1%, as compared with approximately 14.0% of the corresponding period last year, mainly due to the continuous deepening of international business and the increase of the number of shipments as compared with the corresponding period of 2022. 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 increased by approximately 55.1% from approximately RMB18.95 million in the first half of 2022 to approximately RMB29.39 million in the first half of 2023, mainly due to a decrease in the Group's non-operating expenses.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 10.1% from approximately RMB24.37 million in the first half of 2022 to approximately RMB21.90 million in the first half of 2023, primarily due to the decrease in staff wages, social insurance charges, office expenses, advertising fees, low-value consumables and depreciation expenses.

Administrative Expenses

Administrative expenses decreased by approximately 5.8% from approximately RMB44.38 million in the first half of 2022 to approximately RMB41.82 million in the same period of 2023, mainly due to (1) the decrease in salaries, social insurance premiums, business expenses, welfare expenses and housing provident fund fees, and (2) the significant decrease in communication expenses, handling charges, union fees, other insurance premiums, low-value consumables, and recruiting and personnel agency fees as a result of the strengthening of the Group's expense control.

Research and Development Expenses

For the six months ended 30 June 2023, the Group recognised capitalization expenses of approximately RMB4.38 million. After the capitalization, research and development expenses decreased significantly by approximately 24.5% from approximately RMB47.40 million in the first half of 2022 to approximately RMB35.78 million in the first half of 2023, which was mainly attributable to adjustment of the research and development personnel structure and optimization of the research and development expenses, which caused the decrease in expenses including wages, social insurance charges, travel expenses, testing fees, R&D materials expenses and amortisation of intangible assets.

Finance costs

Finance costs increased by approximately 94.9% from approximately RMB1.58 million in the first half of 2022 to approximately RMB3.08 million in the first half of 2023, mainly due to an increase in the related interest expenses arising out of an increase in bank borrowings.

Loss before Taxation

Loss before taxation for the first half of 2023 was approximately RMB3.40 million, while loss before taxation for the corresponding period in 2022 was approximately RMB52.94 million. The loss decreased significantly by approximately 93.6% 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 -16.4% in the first half of 2022 to approximately -1.0% in the first half of 2023.

Income Tax Expenses

The Group's income tax expenses for the first half of 2023 was approximately RMB0.07 million, while the income tax expenses for the corresponding period in 2022 was approximately RMB0.11 million. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the loss before tax were approximately -0.2% in the first half of 2022 and approximately -2.1% in the first half of 2023, respectively.

Loss for the Reporting Period

Loss for the first half of 2023 was approximately RMB3.47 million, while loss for the corresponding period in 2022 was approximately RMB53.04 million. Loss for the reporting period decreased by approximately RMB49.57 million or approximately 93.5% as compared with the corresponding period of last year, representing an improvement in profitability. The Group's net profit margin was approximately -1.0% for the first half of 2023, as compared with approximately -16.4% for the same period of the first half of 2022.

FUTURE PROSPECTS

Looking forward, the Group will simultaneously promote the domestic and international business to strengthen the relationship with domestic customers while firmly deepening its international development path and constantly exploring new business opportunities. On the one hand, 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 and market accumulation. On the other hand, the Group will actively explore the application areas in the "5G+" vertical industry and new business areas including energy saving/new energy, and continuously explore growth curve in new business areas to capture more growth opportunities. In addition, the Group will further implement cost and expense control strategies to achieve both revenue and profit growth in the future.

In 2019, the Ministry of Industry and Information Technology (MIIT) issued 5G commercial licenses to four operators, namely China Mobile, China Unicom, China Telecom, and China Broadcasting Network, marking 5G commercialization in China. In November 2021, the MIIT issued the “14th Five-Year” Plan for the development of the information and communications industry, which specifies the major indicators for the development of the communications industry in the “14th Five-Year” Plan period. 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. Under the guidance of the central “14th Five-Year” Plan, and with the policy and industrial support from local governments, as 5G commercialization enters its fourth year, China will continue to promote 5G commercial deployment and large-scale application, realizing a double breakthrough in the depth and breadth of 5G application in key areas, and continue to bring new industrial development opportunities and industry consolidation opportunities, and the fundamentals of the communications industry will also continue to be improved. China’s 5G construction has always been in a leading position in the world, and the phenomenal applications of 5G have yet to appear. With the gradual advancement of the construction, the downstream supporting applications will increasingly mature, which will once again drive the construction of 5G, bringing the driving force for a new wave of science and technology and industrial changes as well as a new impetus for economic development.

According to the GSMA and the China Academy of Information and Communications Technology, the global 5G network construction process is progressing steadily, “more than 200 operators in more than 90 countries and regions have announced the provision of 5G business, and the scope of commercialization is expanding from the mainstream developed regions to the less-developed regions. In developed areas of 5G network construction including Europe, Asia Pacific, and North America, commercialization has basically been realized in major countries and regions. 5G network deployment and pre-commercialization have also been carried out in some developing countries and emerging markets (such as South Asia, Eastern Europe, Central and South America, Africa)”. It is expected 5G connections will account for a quarter of total mobile connections by 2025. International development has always been an important strategy of the Group. 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, improving research and development capabilities and product quality continually, and expanding technological advantages so as 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 continues to develop and deploy its efforts in the new business direction, expanding its presence in energy conservation and new energy, and accelerating the process of industrial transformation. Against the background of “new infrastructure” and “carbon peak emissions and carbon neutrality”, the national power grid and new energy infrastructure are progressing steadily. In respect of communications technology, rich experience in products and solutions is accumulated in application scenarios including optical communications, communication base stations, backup power supply, and 5G, which enables the new energy business of enterprises in relation to “telecommunications + new energy” to have broad growth room in the future against the background of the energy revolution. Meanwhile, 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. With the support of favorable policies, it is expected to become another source of growth for the Group. It is believed that through the continuous consolidation of traditional business and the expansion of new business areas, the Group will gain more market share and achieve further breakthroughs.

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 2023, 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, the Group had successively won the bids for projects involving antennas, filters, combiners, ICT and other items from major domestic operators, and 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. While consolidating its domestic operator business, the Group continues to explore the international operator market and carry forward the new short lists, which is expected to bring new business growth opportunities. With regard to cooperation with equipment manufacturers, the Group always maintained strategic cooperation with major domestic equipment manufacturers and leading international equipment manufacturer customer, maintained its position as a major supplier leveraging the advantages of continuously upgrading product technology and precise and reliable quality performance. The Group continues to win bids for RF devices and microwave series of products, and steadily increases its order size, market share and delivery ratio. With the gradual recovery of the economy after the outbreak of the epidemic, coupled with the support of relevant favorable policies in the PRC, the demand for domestic communications network construction will continue to increase. The Group has continued to win bids for procurement projects from domestic operators, which will drive the steady growth of the Group’s business in the domestic market. Currently, the global 5G network construction has entered an accelerated development period and the business outlook is still quite promising. The Group has been expanding its international market over the years, and with its stable customer resources, continuous exploration of new customers, cost-effective products and experience in related technologies, the Group’s market share of base station antenna and RF subsystem business in the global market is expected to be further enlarged.

In terms of potential customers, during recent years, there has been explosive growth in the “Communications +” sector. Benefitting from the release of policies, the Group enhanced its exploration of new business areas, with its foray into various projects such as energy saving solutions, intelligent terminals and parks. The Group discovered more potential customers, broke down the barriers of traditional business, and expanded its customer base while carrying out industrial upgrading and transformation. 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 2023.

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. During the 2G era, almost 100% of the antennas required for base station construction in China were imported, and after 2000, China’s base station antenna industry entered a period of domestic substitution. Since 2005, the antenna equipment of major domestic operators has been unpacked and purchased nationwide, and the domestic base station antenna industry began to develop rapidly. Since 2009, China’s base station antenna industry has been developing rapidly by gradually breaking down patent barriers. With the official release of 5G licenses by the Ministry of Industry and Information Technology in 2019 and a 10-year license for the use of 5G medium and low-frequency use licenses in 2020, the domestic 5G construction is in a leading position globally. In May 2023, the Digital China Development Report (2022) released by the Cyberspace Administration of China mentioned that “in accordance with the principle of appropriate advancement, deeply promote 5G network, deployment and application of gigabit optical network scale”, and the 5G market will continue to maintain a robust growth. On the one hand, the domestic 5G network construction is currently in the stage of wide-coverage scale deployment. After the completion of 5G network coverage in the future, the depth of 5G coverage will be further promoted according to the application scenarios to maximize the value of 5G site coverage and create a high-quality 5G network. With the implementation of the “14th Five-Year” Plan and related policies, there will be a large demand for base station construction in China. On the other hand, the application of “5G+” in various industries will continue to be implemented, and 5G commercialization will be rolled out and promoted to emerging markets. With the accelerated progress of digitalization transformation, 5G applications may achieve more explosive development. Globally, despite the popularization of LTE network, its overall development remains unbalanced, with the long-term imbalance between regions. And the construction of LTE network will still continue. Meanwhile, the global 5G is 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 Group has strong technological and experience advantages in deploying 5G overseas due to the leading 5G technology in China, which also greatly improves the competitiveness of the Group. The Group’s continuous entry into the shortlists for overseas operators, and the accumulation of multi-band/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 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, its technology and customer accumulation in these two segments will enable it to make progress in 5G network construction.

With the increasingly fierce competition in the market, in addition to strengthening the traditional business, the Group has started to make arrangements for new business areas including energy saving/new energy in recent years to overcome the bottlenecks of the traditional business, and shape the second and third growth curves. The Group has made business arrangements for development, and product solutions in ToB industry-specific network coverage solutions, application solutions for the ToB industry, photovoltaic complementary power generation integration solutions for the ToB industry and solutions for new energy saving materials, etc. The Group has achieved positive results, 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. There are rich application scenarios generated in the 5G era. The application of 5G industry has fully penetrated into multiple industries and fields, giving rise to various new business forms such as "communications + energy storage", "communications + new energy", "communications + electricity", etc. Diversified product demand will provide broad market space, and 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 interoperability of technologies of communication and energy saving/new energy sector and the overlap of customers give the Group an advantage in expanding in this new business areas. The Group has continued to expand and deploy in this area in recent years and has accumulated relevant experience in research and development and products, which we believe will provide a new growth driver for the Group with the accelerating process of 5G empowering thousands of industries. Through the continuous expansion and deepening of service and cooperation interfaces with domestic and overseas operators and equipment manufacturers, as well as the continuous expansion of new businesses, the Group is confident that it will gain more market share and win more new business growth opportunities 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 2023, the Group had net current assets of approximately RMB194.7 million (31 December 2022: approximately RMB186.3 million), including inventories of approximately RMB199.7 million (31 December 2022: approximately RMB180.8 million), trade and notes receivables of approximately RMB379.4 million (31 December 2022: approximately RMB387.2 million) and trade and notes payables of approximately RMB607.6 million (31 December 2022: approximately RMB582.4 million).

For the six months ended 30 June 2023, average turnover days of our inventories, trade and notes receivables and trade and notes payables are approximately 125 days (1H 2022: approximately 138 days), 201 days (1H 2022: approximately 237 days) and 390 days (1H 2022: approximately 361 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. 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 2023, the Group pledged bank balance with a value of approximately RMB136.7 million to the bank (31 December 2022: approximately RMB89.79 million), cash and bank balances of approximately RMB191.8 million (31 December 2022: approximately RMB174.3 million) and recorded bank borrowings of approximately RMB72.0 million (31 December 2022: approximately RMB38.56 million). The current ratio (current assets divided by current liabilities) of approximately 1.25 times as at 30 June 2023 basically unchanged from approximately 1.25 times as at 31 December 2022. The gearing ratio (bank loans divided by total assets) was approximately 5.3% as at 30 June 2023, while the gearing ratio as at 31 December 2022 was approximately 2.9%.

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"), Indonesian Rupiah ("Indonesian Rupiah") 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 2023, the Group had approximately 2,043 staffs. The total staff costs amounted to approximately RMB94.60 million for the six months ended 30 June 2023. 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 2023, bank balances of approximately RMB136.7 million were pledged to bank to secure the banking facilities provided to the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2023, the Group had contracted for capital commitments relating to acquisition of property, plant and equipment of approximately RMB13.16 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 2023, a total amount of 2,552,000 shares of the Company had been repurchased at prices ranging from HK\$0.195 per share to HK\$0.270 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 2023.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

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 2023 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 2023.

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 2023 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 2023 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 2023 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, 18 August 2023

As at the date of this announcement, the executive directors of the Company are Mr. HU Xiang; Ms. ZHOU Lingbo and Mr. YE Rong; 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.