MOBI 摩比

MOBI Development Co., Ltd.
摩 比 發 展 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 947)

Announcement of Final Results for the year ended 31 December 2016

- Revenue decreased to approximately RMB1,459.70 million, representing a decrease of approximately 8.0%
- Gross profit margin increased from approximately 23.6% in 2015 to approximately 24.2% in 2016
- Profit attributable to owners of the Company was approximately RMB65.85 million
- Basic earnings per share for the year was approximately RMB8.04 cents
- Final dividend of HK$0.04 per share proposed

The board (the "Board") of directors (the "Director") of MOBI Development Co., Ltd. (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016**	2015
		RMB'000	RMB'000
Revenue	3	**1,459,704**	1,585,788
Cost of sales		**(1,106,232)**	(1,211,239)
Gross profit		**353,472**	374,549
Other income and expenses	4	**27,742**	11,440
Research and development costs		**(89,684)**	(80,919)
Distribution and selling expenses		**(92,989)**	(88,117)
Administrative expenses		**(113,194)**	(101,563)
Finance costs	5	**(13,099)**	(16,830)
Share of results of an associate		**(292)**	—
Profit before taxation		**71,956**	98,560
Taxation	6	**(6,107)**	(8,904)
Profit and the total comprehensive income for the year attributable to owners of the Company	7	**65,849**	89,656
Earnings per share			
– basic (RMB cents)	9	**8.04**	10.98
– diluted (RMB cents)	9	**8.03**	10.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current Assets			
Property, plant and equipment		**387,448**	384,693
Deposits for purchase of plant and equipment		**8,830**	10,566
Prepaid lease payments		**27,426**	28,068
Deferred tax assets		**29,961**	23,103
Intangible assets		**34,376**	30,443
Interests in an associate		**208**	—
		488,249	476,873
Current Assets			
Inventories		**340,202**	363,221
Trade and other receivables	10	**943,918**	979,126
Income tax recoverable		**1,896**	—
Prepaid lease payments		**668**	693
Pledged bank balances		**124,612**	166,836
Bank balances and cash		**291,477**	259,154
		1,702,773	1,769,030
Current Liabilities			
Trade and other payables	11	**663,897**	775,774
Dividend payable		**770**	683
Tax payable		**4,240**	8,115
Bank borrowings		**186,267**	167,739
Deferred income		**4,620**	4,598
		859,794	956,909
Net Current Assets		**842,979**	812,121
Total Assets less Current Liabilities		**1,331,228**	1,288,994
Non-current Liabilities			
Bank borrowings		**70,000**	70,000
Deferred income		**11,849**	14,493
		81,849	84,493
Net Assets		**1,249,379**	1,204,501
Capital and Reserves			
Share capital		**6**	6
Reserves		**1,249,373**	1,204,495
Equity attributable to owners of the Company		**1,249,379**	1,204,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2016

1. GENERAL

The Company is a public limited company incorporated in Cayman Island and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 17 December 2009. The address of its registered office is Maples Corporate Services Limited P.O. Box 309, Ugland House, Grand Cayman KYI-1104, Cayman Islands and its principal place of business is 7 Langshan First Road Science and Technology Park, Nanshan District, Shenzhen, Guangdong Province, the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its principal subsidiaries.

The principal activities of the Company and its subsidiaries (the "Group") are production and sale of antennas and radio frequency subsystems.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the amendments to the HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB5,258,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as described above, the directors of the Company consider that the application of the other amendments to HKFRSs is unlikely to have a material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

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

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

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

Information of segment revenues and segment results

	2016	2015
	RMB'000	RMB'000
Segment revenues		
Antenna system	**882,650**	838,323
Base station RF subsystem	**482,847**	658,011
Coverage extension solution	**94,207**	89,454
	1,459,704	1,585,788
Segment results		
Antenna system	**239,847**	208,167
Base station RF subsystem	**15,943**	62,650
Coverage extension solution	**7,998**	22,814
Reconciliation of segment results to profit before taxation:	**263,788**	293,631
Other income and expenses	**27,742**	11,440
Unallocated corporate expenses	**(206,183)**	(189,681)
Finance costs	**(13,099)**	(16,830)
Share of results of an associate	**(292)**	—
Profit before taxation	**71,956**	98,560
Other segment information		
Depreciation:		
Antenna system	**13,760**	16,688
Base station RF subsystem	**7,527**	13,083
Coverage extension solution	**1,469**	1,779
Segment total (note)	**22,756**	31,550
Unallocated amount	**14,941**	13,213
Group total	**37,697**	44,763
Research and development costs:		
Antenna system	**48,598**	40,331
Base station RF subsystem	**38,812**	35,523
Coverage extension solution	**2,274**	5,065
Group total (note)	**89,684**	80,919
Amortisation		
Antenna system	**6,286**	3,202
Base station RF subsystem	**3,438**	4,444
Group total (note)	**9,724**	7,646

Note: Amounts included in the measure of segment results.

Revenues reported above represent revenues generated from external customers. There are no inter-segment sales for the year ended 31 December 2016 and 2015.

The Group does not allocate other income and expenses, unallocated corporate expenses and finance costs to individual reportable segments when making decisions about resources to be allocated to the segments and assessing their performance. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

No segment information on assets and liabilities is presented as such information is not reported to the CODM for the purposes of resource allocation and performance assessment.

Entity-wide disclosures:

Information about products

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

	2016	2015
	RMB'000	RMB'000
Antenna system		
TD-LTE/SCDMA antennas	**343,296**	242,678
W-CDMA/FDD-LTE single-band/multi-band antennas	**259,437**	398,748
Multi-band/Multi-system antennas	**78,974**	44,266
CDMA/GSM antennas	**76,990**	60,437
AAU antennas	**31,707**	15,231
Microwave antennas	**22,934**	34,568
Other antennas	**69,312**	42,395
	882,650	838,323
Base station RF subsystem		
LTE RF devices	**284,716**	351,763
GSM RF devices	**89,872**	142,373
TD-SCDMA RF devices	**20,682**	11,642
W-CDMA RF devices	**19,642**	93,396
CDMA RF devices	**5,570**	3,732
CDMA 2000 RF devices	**185**	749
Other devices	**62,180**	54,356
	482,847	658,011
Coverage extension solution		
Aesthetic antennas	**77,556**	81,430
In-door antennas	**–**	195
Other products	**16,651**	7,829
	94,207	89,454
	1,459,704	1,585,788

Entity-wide disclosures – continued

Information about major customers

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

	2016	2015
	RMB'000	RMB'000
Customer A[1]	**809,556**	740,274
Customer B[1]	**227,996**	350,763
Customer C[1]	**162,112**	N/A[2]

[1] Revenue from antenna system and base station RF subsystem.

[2] The corresponding revenue from Customer C did not contribute over 10% of the total revenue of the group for the year ended 31 December 2015.

Geographical information

Information about the Group's revenue from external customers is presented based on the location where the goods are delivered to:

	2016	2015
	RMB'000	RMB'000
PRC	**1,280,882**	1,437,285
Overseas		
Mexico	**44,520**	16,321
Thailand	**31,962**	58,796
Netherlands	**31,847**	–
Japan	**19,047**	34,385
Canada	**17,221**	16,776
Russia	**10,837**	12,123
Others	**23,388**	10,102
Subtotal	**178,822**	148,503
	1,459,704	1,585,788

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

4. OTHER INCOME AND EXPENSES

	2016	2015
	RMB'000	RMB'000
Government grants		
– related to expense items (note a)	**12,977**	3,704
– related to assets	**4,622**	3,793
Rental income	**7,593**	1,078
Interest income from bank deposits	**4,360**	4,653
Interest income from structured products (note b)	**–**	11
Loss on disposals of property, plant and equipment	**(1,584)**	(1,487)
Others	**(226)**	(312)
	27,742	11,440

Notes:

(a) The amounts represent incentives from various PRC government authorities in connection with the enterprise expansion support, technology advancement support and product development support during the year, which had no conditions imposed by the respective PRC government authorities.

(b) The amount represents interest income from short-term structured products with banks, which carry variable returns based on the return of portfolios of debt or equity investments as invested by banks.

5. FINANCE COSTS

	2016	2015
	RMB'000	RMB'000
Interest on bank borrowings	**13,099**	16,830

6. TAXATION

	2016	2015
	RMB'000	RMB'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	**11,517**	17,103
Hong Kong Enterprise Income Tax	**1,089**	—
Under (over) provision in prior year	**359**	(611)
Deferred tax	**(6,858)**	(7,588)
	6,107	8,904

The Company was incorporated in the Cayman Islands and is exempted from income tax. It is not subject to tax in other jurisdictions.

Hong Kong

The applicable tax rate of MOBI Technology (Hong Kong) Limited (“MOBI HK”) is 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax was made in the consolidated financial statements for the year ended 31 December 2015 since the assessable profit of MOBI HK was wholly absorbed by tax losses brought forward.

PRC

In 2008, MOBI Antenna Technologies (Shenzhen) Co., Ltd. (“MOBI Shenzhen”) was a High and New Technology Enterprise defined by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation (the “Authority”) and therefore was entitled to 15% preferential tax rate from EIT for three years starting from 2008, according to the New PRC Enterprise Income Tax Law. On 30 September 2014, the Authority has further extended the preferential tax rate for another three years. Accordingly, the tax rate for MOBI Shenzhen is 15% for the year ended 31 December 2016 and 2015.

In October 2013, MOBI Technologies (Xi An) Co., Ltd. (“MOBI Xian”) was a High and New Technology Enterprise defined by Province Finance Bureau and Administrator of Local Taxation of Municipality and Municipal office of the State Administration of Taxation in Shan Xi, and therefore was entitled to 15% preferential tax rate from EIT for three years starting from the year ended 31 December 2013, according to the New PRC Enterprise Income Tax Law. On 6 December 2016, the Authority has further extended the preferential tax rate for another three years. Accordingly, the tax rate of MOBI Xian is 15% for the year ended 31 December 2016 and 2015.

In December 2013, MOBI Telecommunications Technologies (Ji An) Co., Ltd. (“MOBI Jian”) was a High and New Technology Enterprise defined by Province Finance Bureau and Administrator of Local Taxation of Municipality and Municipal office of the State Administration of Taxation in Jiang Xi, and therefore was entitled to 15% preferential tax rate from EIT for three years starting from the year ended 31 December 2013, according to the New PRC Enterprise Income Tax Law. On 15 November 2016, the Authority has further extended the preferential tax rate for another three years. Accordingly, the tax rate of MOBI Jian is 15% for the year ended 31 December 2016 and 2015.

The applicable tax rate of other PRC subsidiaries are 25% (2015: 25%) for the year ended 31 December 2016.

Tax charge for the year can be reconciled to profit before taxation per the consolidated statement of profit and other comprehensive income as follows:

	2016	2015
	RMB'000	RMB'000
Profit before taxation	**71,956**	98,560
Tax at PRC EIT at 15% (note a)	**10,793**	14,784
Tax effect of expenses not deductible for tax purpose	**1,370**	1,896
Tax effect of income not taxable for tax purpose	**(390)**	(856)
Tax benefit (note b)	**(5,338)**	(5,689)
Tax effect of tax losses not recognised	**–**	641
Tax effect of deductible temporary differences not recognised	**(378)**	378
Utilisations of tax losses previously not recognised	**–**	(2,289)
Effect of different tax rates of group entities	**(309)**	650
Over provision in prior year	**359**	(611)
	6,107	8,904

Notes:

(a) Applicable income tax rate of 15% represents the relevant income tax rate of MOBI Shenzhen, MOBI Jian and MOBI Xian, the major subsidiaries of the Company which generates majority of the Group's assessable profit.

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

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting) the following items:

	2016	2015
	RMB'000	RMB'000
Directors' remuneration	**6,063**	6,620
Retirement benefits scheme contributions	**24,216**	26,383
Other staff costs	**244,378**	255,451
	274,657	288,454
Auditors' remuneration (including remuneration for non-audit services)	**2,126**	2,169
Operating lease rentals in respect of		
– prepaid lease payments	**668**	693
– rented premises	**5,814**	6,497
Depreciation of property, plant and equipment	**37,697**	44,763
Amortisation of intangible assets	**9,724**	7,646
Cost of inventories recognised as expenses	**1,106,232**	1,211,239
Write-down on inventories (included in cost of sales)	**5,700**	11,513
Impairment loss recognised in respect of property, plant and equipment	**–**	2,519
Loss on disposals of property, plant and equipment	**1,584**	1,487
Reversal of allowance for doubtful debts	**(106)**	(481)

8. DIVIDENDS

	2016	2015
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2015 final dividend of HKD0.04 per share		
(2015: 2014 final dividend of HKD0.04 per share)	**28,072**	25,780

Subsequent to the end of the reporting period, a final dividend of HKD0.04 per share respect of the year ended 31 December 2016 amounting to approximately HKD32,756,000 (equivalent to RMB29,005,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The final dividend of HKD0.04 per share in respect of the year ended 31 December 2015 was approved by the shareholders in the 2016 annual general meeting on 25 May 2016.

9. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	RMB'000
Earnings		
Profit for the year and attributable to owners of the Company and earnings for purpose of basic and diluted earnings per share	**65,849**	89,656

	2016	2015
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**818,907**	816,249
Effect of dilutive potential ordinary shares		
– 2005 share options	**–**	992
– 2013 share options	**628**	10,183
– 2015 share options (note)	**–**	2,692
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**819,535**	830,116

Note: The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the exercise of the Company's share options granted in 2015 under the Share Option Scheme because the exercise price of those options was higher than the average market prices of shares for 2016.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables	**460,276**	552,855
Less: allowance for doubtful debts	**(5,628)**	(7,038)
	454,648	545,817
Notes and bills receivable	**417,683**	382,586
Rental and utility deposits	**671**	1,968
Advance to suppliers	**23,922**	16,004
Value added tax receivable	**10,641**	–
Other receivables and deposits	**36,353**	32,751
	943,918	979,126

Movement in the allowance for doubtful debts

	2016	2015
	RMB'000	RMB'000
Balance at beginning of the year	**7,038**	7,519
Reversal of allowance for doubtful debts	**(106)**	(481)
Amounts written off as uncollectible	**(1,304)**	–
Balance at end of the year	**5,628**	7,038

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB5,628,000 (2015: RMB7,038,000) which have defaulted on payment. The Company considers that the recoverability of these receivables is low and therefore allowance for bad and doubtful debts has been provided. The Group does not hold any collateral over these balances.

The Group offers credit terms generally accepted in the antenna system, base station RF subsystem and coverage extension solution manufacturing industry to its trade customers, which range from 30 to 240 days (2015: 30 to 240 days), for a significant number of the Company's products. For the Group's major customers which are network operators and domestic and overseas wireless network solution providers with good reputation and repayment records, a longer credit term may be extended to them, depending on price, the size of the contract, credibility and reputation of them. Amounts due from these major customers as at 31 December 2016 amounted to approximately RMB333,103,000 (2015: RMB414,525,000), representing 72.4% (2015: 75.0%) of trade receivables (before making allowance for doubtful debt). 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 of trade receivables net of impairment losses presented based on the invoice dates:

	2016 RMB'000	2015 RMB'000
0 to 30 days	**167,315**	246,068
31 to 60 days	**52,848**	89,005
61 to 90 days	**26,443**	32,371
91 to 120 days	**32,067**	39,569
121 to 180 days	**46,319**	39,401
Over 180 days	**129,656**	99,403
	454,648	545,817

The following is an aged analysis of notes and bills receivable presented based on the invoice dates:

	2016 RMB'000	2015 RMB'000
0 to 30 days	**67,450**	79,365
31 to 60 days	**63,634**	90,409
61 to 90 days	**47,839**	54,408
91 to 120 days	**111,915**	49,454
Over 120 days	**126,845**	108,950
	417,683	382,586

Aged analysis of trade receivables which are past due but not impaired:

	2016 RMB'000	2015 RMB'000
0 to 30 days	**225**	326
31 to 60 days	**296**	124
61 to 90 days	**1,286**	349
91 to 120 days	**5,794**	6,718
121 to 180 days	**23**	2,224
Over 180 days	**12,157**	10,650
Total	**19,781**	20,391

The Group does not hold any collateral over these balances.

As at 31 December 2016, the Group pledged notes receivables with carrying amount of approximately RMB225,852,000 (2015: RMB70,093,000) to secure bank borrowings.

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	RMB'000
Trade payables	**298,000**	397,654
Notes and bills payable	**240,121**	229,819
Payroll payable	**34,580**	39,495
Payable for purchase of property, plant and equipment	**23,001**	26,767
Value added taxes payable	**6,831**	28,884
Receipt in advance	**31,549**	21,199
Accrued expenses	**13,890**	13,384
Others	**15,925**	18,572
	663,897	775,774

The following is an aged analysis of trade payables presented based on the invoice dates:

	2016	2015
	RMB'000	RMB'000
0 to 30 days	**78,709**	20,947
31 to 60 days	**75,529**	135,605
61 to 90 days	**48,768**	104,482
91 to 180 days	**71,102**	102,960
Over 180 days	**23,892**	33,660
	298,000	397,654

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

The following is an aged analysis of notes and bills payable presented based on the invoice dates:

	2016	2015
	RMB'000	RMB'000
0 to 30 days	**48,455**	57,793
31 to 60 days	**39,474**	48,366
61 to 90 days	**74,312**	62,782
Over 90 days	**77,880**	60,878
	240,121	229,819

Typical credit term of bills payables ranges from 90 to 180 days.

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

When compared with last year, revenue decreased by approximately RMB126.09 million, or approximately 8.0%, to approximately RMB1,459.70 million in 2016 (2015: approximately RMB1,585.79 million).

Sales of antenna system increased by approximately 5.3% to approximately RMB882.65 million (2015: approximately RMB838.32 million), while sales of base station RF subsystem dropped by approximately 26.6% to approximately RMB482.85 million (2015: approximately RMB658.01 million). In addition, sales of products of coverage extension solution increased by approximately 5.3% to approximately RMB94.21 million (2015: approximately RMB89.45 million).

In the first half of 2016, there were fluctuations in the sales. The sales were benefited from TD-LTE Phase 4 network building in the first half year. The Company's revenue increased by approximately 10.1% year-on-year, but in the second half of 2016, due to delays in China Telecom and China Unicom's FDD-LTE network building, the Company's revenue decline year-on-year, and this decreased annual revenue compared to the previous year. However, the Company believes that China Telecom and China Unicom will be approved to build LTE networks in the 800M and 900M bands in the second half of 2016, which will help China Telecom and China Unicom to speed up the deployment of LTE networks and bring more business opportunities to the Company in 2017.

The Company also believes that as the Company is a leader in the 4G antenna and RF subsystem product technology in the PRC and by leveraging its product technology and market advantages, it is positioned to generate greater benefits from 4G network building in the future.

In 2016, sales of 2G products as a percentage of the Company's total revenue declined to approximately 11.7%, and the percentage of sales of 3G and LTE products slightly declined to approximately 63.2%.

Antenna system

In 2016, the Company's antenna products maintained a leading position in the domestic market. This enabled the Group to become one of the few suppliers of high-performance 3G and 4G antennas and maintain a leading share in the TD-LTE 4G market. In 2016, sales of the Company's TD-LTE/SCDMA antennas grew significantly by approximately 41.5% to RMB343.30 million.

In addition, the Company continued to actively develop the overseas operator market in 2016 and won positive feedback from the customers. In 2016, the Group's sales in Mexico and Netherlands grew significantly by approximately 172.8% and 100.0% respectively to approximately RMB44.52 million and RMB31.85 million as compared to last year. Meanwhile, the Company has officially become the global qualified suppliers of the antenna products Nokia. The Company believe that it will also promote the company's overseas sales of antenna.

Base station RF subsystem

The competition of base station RF subsystem was more intense in 2016. The Company continued to maintain a leading supplier position among leading global telecommunication equipment manufacturers. Due to temporary decrease in demand of Nokia resulting from the internal integration after mergers and acquisitions, periodic fluctuations of demand of ZTE Corporation caused by the US Department of Commerce and the postponed LTE 4G network building in China, revenue from the Company's base station RF subsystem in 2016 decreased by approximately 26.6% to approximately RMB482.85 million.

In 2016, the Company's revenue from 3G and 4G RF subsystem products decreased by about 29.0% to approximately RMB325.04 million compared to the previous year.

Coverage extension solution

In 2016, revenue from the Company's coverage extension solutions increased by approximately 5.3% to approximately RMB94.21 million, mainly due to an increase of approximately 112.7% in its revenue from other constructions to approximately RMB16.65 million. In view of the increasingly clear industry landscape of three top operators and Tower Company, demands for aesthetic antennas are expected to increase significantly in the future.

Customers

In 2016, the Company noted that a change in market pattern resulted in a change in customer revenue structure, and the Company's in-depth cooperation with telecommunication equipment manufacturers and telecommunication operators allowed the Company to enjoy distinctive competitive strengths in changing market opportunities.

China Mobile's 4G network building (namely TD-LTE network building) adopted the "turn-key" procurement method, under which the Company's antenna products were also sold to telecommunication equipment manufacturer customers (such as ZTE) who built complete networks for delivery to China Mobile. The in-depth cooperation with leading global equipment manufacturers allowed the Company to take a first-mover position in the market. Due to the full swing of 4G network building by China Mobile in 2016 and the Company's leading technology in TD-LTE antenna, the Company's sales to PRC equipment manufacturer customers increased by approximately 9.4% to approximately RMB809.56 million in 2016.

In addition, due to temporary decrease in demand of Nokia resulting from the internal integration after mergers and acquisitions, revenues from Nokia (including Nokia Networks before and Alcatel-Lucent) decreased by approximately 20.8% to approximately RMB162.11 million as compared to last year. The Company believes that the leading market share the Company has maintained among leading global equipment manufacturer customers and its increasing involvement in 4G projects. With the near end of the integration of Nokia, the Company believe that there will be very good opportunities for growth in 2017.

Due to delays in China Telecom and China Unicom's FDD-LTE network building, the Company's overall revenue from China telecom operators decreased. The revenue from China telecom operators accounted for approximately 23.2% in 2016, which was decreased from 31.6% in 2015. Among China telecom operators, China Telecom and China Unicom decreased by approximately 38.1% and 35.0% to approximately RMB72.97 million and RMB228.00 million respectively. 4G network building by China Unicom and China Telecom was slower than the Company expected. However, China Telecom and China Unicom will be approved to build LTE network in the 800M and 900M bands in the second half of 2016 and this will help them to speed up the deployment of LTE network. In addition, the Company's revenue from China Mobile increased by approximately 2.9% to approximately RMB37.93 million from the previous year. The Company still believes that the 4G network building will provide the Company with tremendous market opportunities overall.

The Company continued to actively develop the overseas operator market in 2016 and won positive feedback from customers. In the next few years, an important strategic direction of the Company will be active expansion of overseas operator market in stages and enhancement of the influence of the Company's brand name among overseas operators, which, in turn, will have enhancement and positive effects on the operations of equipment manufacturer customers.

The deployment of the Company's products in the network systems of our diversified international customers strengthened worldwide awareness of the brand name of MOBI.

Gross profit

In 2016, gross profit of the Group declined by approximately 5.6% to approximately RMB353.47 million (2015: RMB374.55 million), and gross profit margin increased for the fourth consecutive year from approximately 23.6% in 2015 to approximately 24.2% in this year. The growing momentum of the Company's gross profit margin is attributable to continuous upgrading of product mix and effective control of internal costs.

The Company noted that the evolving 4G product technology and the significantly higher technical sophistication and quality requirements of existing products than previous products had resulted in a notable decrease in qualified suppliers. This is beneficial for improving the competition environment and allows the Company to focus more on the improvement in product technology. The Company believes that as sales of 4G products as a percentage of the Company's total revenue is on the rise, our consolidated gross profit margin will also probably continue to increase in the future.

There is no doubt that with the continue advance of 4G building, the market competition is expected to be more intense in 2017, while the prices of the recent bulk commodity are also volatile. They have brought great challenge. The Company believes that the gross margin will be stabilized and improved through the continuous innovation and cost optimization of products, and the development of overseas business.

Other income and expenses

Other income and expenses increased to approximately RMB27.74 million, which was mainly attributable to the increase in the Company's government grants and interest income from bank deposits.

Distribution and selling expenses

Distribution and selling expenses increased by 5.5% from approximately RMB88.12 million in 2015 to approximately RMB92.99 million in 2016, primarily due to the increases in expenses on wages, operating, travel, advertising fees, rents and utilities and consultation. With the deepening of the domestic construction of 4G, the domestic marketing activities of the Company's are also increasing.

Administrative expenses

Administrative expenses increased by approximately 11.5% from approximately RMB101.56 million in 2015 to approximately RMB113.19 million in 2016, mainly due to increases in expenses on wages, operating, travel, maintenance, social insurance, depreciation charges and amortization of intangible assets.

Research and development costs

During the year, the Group recognized development costs of approximately RMB13.66 million as intangible assets. After the capitalization, development costs increased by approximately 10.8% from approximately RMB80.92 million in 2015 to approximately RMB89.68 million in 2016, which was mainly attributable to the increase in testing costs and material costs.

Finance Costs

Finance costs decreased by approximately 22.2% from approximately RMB16.83 million in 2015 to approximately RMB13.10 million in 2016, primarily due to partially repayment of bank borrowings. In 2016, bank borrowings of the Company increased by approximately RMB18.53 million to approximately RMB256.27 million.

Profit Before Taxation

Profit before taxation decreased by approximately 27.0% to approximately RMB71.96 million (2015: a profit before taxation of approximately RMB98.56 million). Net profit margin before tax charges decreased from approximately 6.2% in 2015 to approximately 4.9% in 2016.

Taxation

Current income tax expenses decreased by approximately 31.3% from approximately RMB8.90 million in 2015 to approximately RMB6.11 million in 2016. Effective tax rates calculated from the tax charged to the profit before taxation were approximately 8.5% and 9.0% for 2016 and 2015, respectively.

Profit for the year

Profit for the year 2016 decreased by approximately 26.6% to approximately RMB65.85 million (2015: a profit for the year of RMB89.66 million). Our net profit margin was approximately 4.5% in 2016, compared to approximately 5.7% in 2015. The decrease in our net profit margin was due to the decrease in revenue and the increase in administrative expenses and research and development costs.

Relationships with equipment manufacturers, operators and suppliers

The Group mainly sells antenna products and RF subsystem products to telecommunication equipment manufacturer customers (such as ZTE) who builds complete networks for delivery to telecommunication operators (such as China Mobile), thus enabling the Group to establish close and stable relations with equipment manufacturers.,

The Group is also one of the few domestic technology providers offering RF solutions to both global and domestic telecommunication operators (such as China Mobile, China Unicom and China Telecom) and telecommunication equipment manufacturers (such as ZTE and Nokia), which enables the Company to maintain a leading edge in product technology and continuous expansion of customer channels, and thus to build close and solid relations with global and domestic telecommunication operators.

Suppliers of the Group include raw material suppliers and contract manufacturers. The Group has developed solid and steady relationships with many of its key suppliers. Given solid and steady relationships with the suppliers, the Group believes that its suppliers generally provide supplies to the Group with a priority and the Group has not experienced any material shortage or delays in receiving supplies or services from the suppliers during the track record period.

Principal Risks and Uncertainties

A number of factors may affect the results and business operations of the Group. Major risks and uncertainties are summarised below.

Brand/Reputation Risk

The Company has established and maintained its MOBI brand that aims to brand the products of the Group including antenna system, base station RF subsystem and coverage extension solution, primarily targeting leading system equipment manufacturers and telecommunication operators worldwide for provision of its RF solution. If the Group is unsuccessful in promoting its MOBI brand or fails to maintain its brand position and market perception, system equipment manufacturers and telecommunication operators' acceptance of its MOBI brand may erode, and the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Any negative publicity or dispute relating to the Group's MOBI brand, products, sponsorship activities or management, the loss of any award or accreditation associated with the Group's MOBI brand or products or the use of the "MOBI" trademark or brand name by other businesses could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Market Trend

The Group's success depends on the market perception and customer acceptance of MOBI brand and the Group's products, which in large part, rely on the Group's ability to anticipate and respond to different market demands in a timely manner.

If the Group is unable to utilise new technologies and processes, anticipate and respond to market and new technology trends and customer preferences in a timely manner, demand for MOBI products may decrease. The Group's business would also suffer if product creations or modifications do not respond to the needs of customers, are not appropriately timed with market opportunities or are not effectively brought to market. Any failure by the Group to offer products that respond to changing market and customer preferences, or any shift in market or new technologies and processes and customer preferences away from MOBI brand and the Group's products, could adversely affect customers' interest in the Group's products.

Competition

Currently, the Group's antenna system products, base station RF subsystem products and coverage extension solution products face different levels of competition in their respective market sectors. As competitors with similar brand positioning may emerge and intensify the current competition, there can be no assurance that the Group will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider and more diverse distribution network. To compete effectively and maintain the Group's market share, the Group may be forced to, among other actions, reduce prices and increase capital expenditures, which may in turn negatively affect the Group's profit margins, business and financial conditions and results of operations

Environmental Policies and Performance

The Group's production process is carried out with low emissions and low energy consumption, and it will not produce great amount of pollutants. The Group has been endeavouring to ensure that the production process is in compliance with relevant environmental rules and regulations.

In the past, the Group has not been in breach of any relevant environmental rules and regulations and has not been imposed any relevant penalty. It is expected that the future operational activities of the Group would not be affected by the environmental policies. The Group strives for energy conservation and consumption reduction. In reducing the operating costs, the Group also puts efforts in environmental protection.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in mainland China while the Company itself is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in mainland China and Hong Kong. During the year ended 31 December 2016 and up to the date of this report, to the best of our knowledge, the Group has complied with all the relevant laws and regulations in mainland China and Hong Kong, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

FUTURE PROSPECTS

Prospects

Looking forward, the Company will pay attention to both domestic and international markets simultaneously and will continue to focus on the area of RF technology for wireless communication, especially on base station RF technology and RF technology for other wireless communications.

The Company believes that, with the popularity of intelligent terminals, mobile internet applications have entered into a rapid development period and the LTE golden era has arrived and will last for a couple of years. With its leading position in customer channels and product technology, the Company is in place to capture early opportunities riding on the development waves of LTE.

Customers

The Company adheres to the visionary target of "becoming a global leading provider of RF technology for mobile communications", and strives to offer its RF solution to leading system equipment manufacturers and telecommunication operators around the world.

The Company is also one of the few domestic technology providers offering RF solutions to both global system equipment manufacturers and telecommunication operators, which enables the Company to maintain a leading edge in product technology and continuous expansion of customer channels.

In 2016, the Company had leading shares in LTE sub-markets, especially the TD-LTE market where the Company had a dominant market share among certain strategic customers. This is attributable to years of cooperation and trust between the Company and major equipment manufacturers, complete product lines and prominent technical strength. For the LTE FDD tenders, the Company also secured a leading share by leveraging its comprehensive capability such as product technology and customer cooperation, achieving very rapid growth in sales. However, China's LTE network building has been carried out for approximately three years in 2016 since the first release of China's 4G (LTE) license in December 2013. The growth rate of overall investment was slow.

Looking into 2017, after experiencing the slowing down in the second half of 2016, the Company believes that the LTE network building in the PRC will likely be rebound, but the competition will be more intense.

Based on the above, the Company will not only continue to maintain the leading domestic advantages, but will also increase the intensity of expand range of international customers. In 2016, the Company made significant growth in sales to some customers in Mexico, Thailand and the Netherlands. In 2017, the Company will put greater efforts to promote the upgrades of the Company' product technology to satisfy the needs of overseas customers more.

Products

The Company believes that the technology of our LTE products including TD-LTE and LTE FDD has reached domestic industry-leading standards, and can compete directly with foreign peers.

Meanwhile, for antenna products, our technology for multi-frequency multi-system antenna is also developing continuously, and consistently maintains an advanced level. The Company believes that with increasing investments in LTE network, the demand for station sites will increase further as the coverage radius of LTE base station is becoming shorter. Moreover, the establishment of "China Tower Company Limited" will significantly boost the demands for multi-network stations in the future. The Company believes that its LTE RET and multi-frequency multi-system technology will deliver more outstanding performance in future market completion. Meanwhile, there was increasingly fierce discussion on 5G in 2016. The Company expects that China's 5G building will gradually begin in 2018. This will bring a new round of business opportunities. The Company believes that the Company's 5G antenna technology is in the leading level in the country and therefore the Company will take the advantage in the future 5G wave.

For RF subsystem products, 2016 was a year of fluctuations in demand from customers. The Company, facing intense competition, accelerated the development of next generation base station RF subsystem products, which were more integrated, compact and lightweight. In addition, the Company also expanded the development of outdoor RF subsystem products including outdoor filters for operators, and provided customers with one-stop tower-top solutions integrating antenna system products and other products.

For 5G, the rate of integration of antenna and RF subsystem is expected to be higher and higher. The Company believe that the accumulation of technology in these two segments will help the Company to gain a competitive advantage in the development of 5G.

For coverage extension products, the Company made important progress in the integration of aesthetic antenna and multi-frequency multi-system antenna technologies. The Company believes that given the increasing scarcity of sites for base stations and the operation of Tower Company, the demand for aesthetic antennas by operators will continue to increase substantially and the Company's product technology will help it achieve a leading position.

Conclusion

The Company is one of the few one-stop solution providers of RF technology for global network operators and system equipment manufacturers in the PRC, capitalizing on a wide range of well-known customers and diversified income sources positive for its healthy and stable growth.

The Company believes that the telecommunication equipment industry is expected to see another growth cycle as the 4G network continues to develop over the next few years. The Company and the Board will continue to optimise the size and mix of customer base and adopt differentiated competition strategies underpinned by technology and cost advantages to maximise the market opportunities in 3G, LTE and next generation wireless technologies, thus enhancing its overall competitiveness to ensure robust business performance and create more value for shareholders and the society.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

We have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers and short-term bank borrowings. Our primary uses of cash have been for our increased working capital needs, capital expenditures on purchases of production equipment and acquisition of land use rights for our real properties in Shenzhen, Ji'an and Xi'an in the PRC.

As at 31 December 2016, the Group had net current assets of approximately RMB842.98 million (2015: approximately RMB812.12 million) including inventories of approximately RMB340.20 million (2015: approximately RMB363.22 million), trade receivables and notes receivable of approximately RMB872.33 million (2015: approximately RMB928.40 million) and trade payables and notes payable of approximately RMB538.12 million (2015: approximately RMB627.47 million).

The Group maintained effective management of its working capital. For the year ended 31 December 2016, average inventories turnover, average receivables turnover and average payables turnover are approximately 116 days (2015: 122 days), 225 days (2015: 236 days) and 192 days (2015: 220 days) respectively. We offer credit terms generally accepted in the antenna and base station RF subsystem manufacturing industry to our trade customers. In general, the average credit period for local network operators is longer than global network operators and solution providers.

As at 31 December 2016, the Group recorded a pledged bank balance of approximately RMB124.61 million (2015: approximately RMB166.84 million), cash and bank balances of approximately RMB291.48 million (2015: approximately RMB259.15 million) and recorded bank borrowings of approximately RMB256.27 million (2015: approximately RMB237.74 million). The current ratio (current assets divided by current liabilities) decreased from approximately 1.98 times as at 31 December 2015 to approximately 1.85 times as at 31 December 2016. The gearing ratio (bank borrowings divided by total assets) was approximately 11.7% as at 31 December 2016 as compared with a gearing ratio of approximately 10.6% as at 31 December 2015. The interest rates on the Group's bank borrowings are designated as fixed rates or floating rates based on prevailing market rates.

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

FOREIGN EXCHANGE EXPOSURE

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 USD, Euro and HKD. We currently do not have a foreign currency hedging policy. However, the management monitors and will consider hedging of foreign currency exposure when the need arises.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 3,226 staff. The total staff costs amounted to approximately RMB274.66 million for the year ended 2016. The remuneration of the Group's employees is determined on the basis of their responsibilities and industry practices. Regular training is provided to improve the skills and expertise of relevant staff. The Group also grants share options and discretionary bonuses to eligible staff based on their performance.

CHARGE ON ASSETS

As at 31 December 2016, bank balances of approximately RMB124.61 million and note receivables of approximately RMB225.85 million were mainly pledged to bank to secure the bills payables and bank loans of the Group.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

COMPLIANCE WITH THE MODEL CODE

The Company adopts the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules governing the Listing of Securities on the Stock Exchange ("Listing Rules) as the code for securities transactions by directors. All Directors have confirmed, following specific enquiries, that they complied with the code of conduct regarding securities transactions by directors set out in the Model Code for the year ended 31 December 2016 and as of the date of this announcement.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to upholding high standards of corporate governance to safeguard the interests of shareholders and enhance the corporate value. The details of the corporate governance practices are set out in the annual report of the Company for the year ended 31 December 2016 ("2016 Annual Report"). The Board believes the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period between 1 January 2016 and 31 December 2016 except for the following deviation:

CODE PROVISION A.2.1

The code provision 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 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.

AUDIT COMMITTEE

The Company established the Audit Committee ("Audit Committee") in accordance with Appendix 14 to the Listing Rules with written terms of reference. The Audit Committee comprises three independent non-executive Directors, namely Mr. Zhang Han (Chairman of the Audit Committee), Mr. Li Tianshu and Mr. Li Guinian. The Audit Committee is authorized by the Board to assess matters relating to the financial statements and provide recommendations and advice, the relations between review and external auditors, the Company's financial reports (including reviewing the annual results for the year ended 31 December 2016), internal control and risk management system. The Audit Committee has reviewed the annual results for the year ended 31 December 2016.

DIVIDEND

To share the fruitful results of the Group among all the shareholders, the Board recommends the payment of a final dividend of HK$0.04 per share out of distributable reserve of the Company in respect of the year ended 31 December 2016. The date of closure of the register of members of the Company regarding the entitlement of final dividend will be published in due course. The proposed final dividend will be paid on 5 July 2017 following approval at the forthcoming annual general meeting (the "AGM").

ANNUAL GENERAL MEETING

The notice of the annual general meeting will be published and dispatched to shareholders in the manner specified in the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND 2016 ANNUAL REPORT

This results announcement is published on the web site of the Stock Exchange (www.hkexnews.hk) and the web site of the Company (www.mobi-antenna.com). The 2016 annual report of the Company will be published on the above web sites and dispatched to shareholders in due course.

On behalf of the Board
MOBI Development Co., Ltd.
Hu Xiang
Chairman

28 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Hu Xiang, Mr. Liao Dong and Mr. Chen Zhaojun; the non-executive director is Mr. Qu Deqian; and the independent non-executive directors are Mr. Li Tianshu, Mr. Zhang Han and Mr. Li Guinian.