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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 Unaudited Final Results for the year ended 31 December 2019

- Revenue decreased to approximately RMB1,214.93 million, representing a decrease of approximately 3.4%
- Gross profit margin increased from approximately 20.5% in 2018 to approximately 23.0% in 2019
- Profit attributable to owners of the Company was approximately RMB23.61 million
- Basic earnings per share for the year was approximately RMB2.88 cents
- Final dividend of HK$0.02 per share proposed

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of MOBI Development Co., Ltd (the "Company") and its subsidiaries (collectively the "Group") has not been completed. In the meantime, the board (the "Board") of directors (the "Directors") of the Company is pleased to announce the unaudited consolidated financial results of the Group for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Revenue	*3*	**1,214,929**	1,257,215
Cost of sales		**(935,098)**	(999,187)
Gross profit		**279,831**	258,028
Impairment losses under expected credit loss model, net of reversal		**(2,712)**	(280)
Other income and expenses, other gain and loss	*4*	**30,348**	41,073
Research and development expenses		**(97,244)**	(89,065)
Administrative expenses		**(101,001)**	(103,377)
Distribution and selling expenses		**(81,820)**	(82,445)
Finance costs	*5*	**(10,240)**	(13,178)
Share of results of associates		**(406)**	(735)
Profit before tax		**16,756**	10,021
Income tax credit	*6*	**6,855**	6,668
Profit and the total comprehensive income for the year attributable to owners of the Company	*7*	**23,611**	16,689
Earnings per share			
– basic (RMB cents)	*9*	**2.88**	2.03
– diluted (RMB cents)	*9*	**2.88**	2.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment		**377,278**	392,348
Right-of-use assets		**35,461**	–
Deposits for purchase of plant and equipment		**7,464**	6,270
Prepaid lease payments		**–**	26,091
Deferred tax assets		**57,172**	50,317
Intangible assets		**66,273**	61,310
Interests in associates		**4,001**	1,290
		547,649	537,626
Current Assets			
Inventories		**281,691**	448,692
Trade and other receivables	*10*	**709,423**	843,665
Income tax recoverable		**1,586**	3,704
Prepaid lease payments		**–**	668
Pledged bank balances		**137,074**	171,744
Bank balances and cash		**292,411**	296,341
		1,422,185	1,764,814
Current Liabilities			
Trade and other payables	*11*	**666,984**	907,142
Contract liabilities		**6,206**	22,939
Bank borrowings		**98,882**	196,800
Lease liabilities		**4,408**	–
Deferred income		**24**	24
Dividend payable		**4,132**	–
		780,636	1,126,905
Net Current Assets		**641,549**	637,909
Total Assets less Current Liabilities		**1,189,198**	1,175,535
Non-current Liabilities			
Lease liabilities		**5,021**	–
Deferred income		**12,749**	12,773
		17,770	12,773
Net Assets		**1,171,428**	1,162,762
Capital and Reserves			
Share capital		**6**	6
Reserves		**1,171,422**	1,162,756
Equity attributable to owners of the Company		**1,171,428**	1,162,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2019

1. GENERAL

MOBI Development Co., Ltd. (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("The 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 KY1-1104, 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 principal activities of the Company and its subsidiaries (the "Group") are production and sale of antennas and radio frequency subsystems.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6%.

	Note	**At 1 January 2019** ***RMB'000***
Operating lease commitments disclosed as at 31 December 2018 (Audited)		**6,588**
Less:		
Recognition exemption – short-term leases		**4,191**
		2,397
Lease liabilities discounted at relevant incremental borrowing rates (Unaudited)		**2,271**
Analysed as		
Current		**1,008**
Non-current		**1,263**
		2,271

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** ***RMB'000***
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**2,271**
Reclassified from prepaid lease payments	*(a)*	**26,759**
		29,030

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB668,000 and RMB26,091,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(b) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(c) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The directors of the Company are of an opinion that the discounting effect has no material impact on the Group's consolidated financial statements for the current year.

(d) Effective on 1 January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The directors of the Company are of an opinion that the change in allocation basis has no material impact on the Group's consolidated financial statements for the current year.

Other than described above, as a lessor, the application of HKFRS 16 in the current year has no material impact on the Group's consolidated statement of financial position and the disclosures in the 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 HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 - manufacturing and sales of antenna system and related products

Base station RF subsystem - manufacturing and sales of base station RF subsystem and related products

Coverage extension solution - manufacturing and sales of a wide array of coverage products

Information of segment revenues and segment results

	2019 ***RMB'000*** ***(Unaudited)***	2018 *RMB'000* *(Audited)*
Segment revenues		
Antenna system	**737,796**	712,493
Base station RF subsystem	**320,222**	460,721
Coverage extension solution	**156,911**	84,001
	1,214,929	1,257,215
Timing of revenue recognition		
A point in time	**1,214,929**	1,257,215
Segment results		
Antenna system	**145,344**	144,442
Base station RF subsystem	**3,922**	(729)
Coverage extension solution	**33,322**	25,250
Reconciliation of segment results to profit before tax:	**182,588**	168,963
Impairment losses under expected credit loss model, net of reversal	**(2,712)**	(280)
Other income and expenses, other gain and loss	**30,348**	41,073
Unallocated corporate expenses	**(182,822)**	(185,822)
Finance costs	**(10,240)**	(13,178)
Share of results of associates	**(406)**	(735)
Profit before tax	**16,756**	10,021

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Other segment information		
Depreciation of property, plant and equipment:		
Antenna system	**10,038**	9,649
Base station RF subsystem	**4,357**	6,239
Coverage extension solution	**2,135**	1,138
Segment total *(note)*	**16,530**	17,026
Unallocated amount	**23,852**	26,786
Group total	**40,382**	43,812
Research and development expenses:		
Antenna system	**48,959**	45,656
Base station RF subsystem	**35,486**	38,497
Coverage extension solution	**12,799**	4,912
Group total *(note)*	**97,244**	89,065
Amortisation of intangible assets:		
Antenna system	**8,350**	5,539
Base station RF subsystem	**3,624**	3,580
Group total *(note)*	**11,974**	9,119
Write-down on inventories		
Base station RF subsystem	**1,170**	1,457
Group total *(note)*	**1,170**	1,457

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 2019 and 2018.

The accounting policies of the operating segments are the same as the Group's accounting policies under expected credit loss model to the consolidated financial statements. The Group does not allocate impairment losses, net of reversal, other income and expenses, other gain and loss, unallocated corporate expenses, finance costs 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. 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.

Disaggregation of revenue from contracts with customers and information about products

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Segments		
Antenna system		
Multi-band/Multi-system antennas	**370,698**	296,153
Low-band refarming/IoT antennas	**153,362**	149,016
WCDMA/FDD-LTE single-band/multi-band antennas	**102,267**	128,212
FDD+TDD antennas	**30,727**	60,928
Microwave antennas	**24,184**	22,198
5G antennas	**21,203**	3,432
CDMA/GSM antennas	**2,659**	7,835
AAU antennas	**2,561**	6,937
Other antennas	**30,135**	37,782
	737,796	712,493
Base station RF subsystem		
WCDMA/LTE RF devices	**212,632**	234,300
TD/TD-LTE RF devices	**44,137**	61,874
Low-band refarming/IoT RF devices	**41,911**	106,141
GSM RF devices	**20,098**	47,384
Other devices	**1,444**	11,022
	320,222	460,721
Coverage extension solution		
Aesthetic antennas	**136,384**	71,413
Small Cell	**13,077**	3,973
Ap	**1,086**	1,146
Other products	**6,364**	7,469
	156,911	84,001
	1,214,929	1,257,215

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Customer A[1]	**254,367**	332,245
Customer B[2]	**219,637**	290,773
Customer C[2]	**219,498**	N/A[3]
Customer D[1]	**176,768**	268,722

1 Revenue from antenna system and base station RF subsystem.

2 Revenue from antenna system.

3 The revenue amount of the customers did not contribute over 10% of the total revenue of the Group in the corresponding year.

Geographical information

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
The PRC	**877,654**	846,630
Overseas		
Other countries/areas in Asia	**158,504**	188,583
Europe	**134,298**	129,449
Americas	**44,473**	92,553
Subtotal	**337,275**	410,585
	1,214,929	1,257,215

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

4. OTHER INCOME AND EXPENSES, OTHER GAIN AND LOSS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Government grants		
– related to expense items *(note)*	**15,938**	8,407
– related to assets	**24**	1,452
Rental income	**7,424**	8,770
Interest income from bank deposits	**6,305**	4,881
Cash discount from suppliers upon settlement	**5**	5,896
(Loss) gain on disposals of property, plant and equipment	**(703)**	1,074
Net exchange gain	**2,498**	9,970
Gain on disposal of an associate	**509**	–
Others	**(1,652)**	623
	30,348	41,073

Note: 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.

5. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Interest on bank borrowings	**9,931**	13,178
Interest on lease liabilities	**309**	–
	10,240	13,178

6. TAXATION

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Current Tax:		
PRC Enterprise Income Tax (the "EIT")	**–**	19
	–	19
Under provision in prior year:		
EIT	**–**	144
Deferred tax	**(6,855)**	(6,831)
	(6,855)	(6,668)

Hong Kong

The applicable tax rate of the Company and 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 has been recognised as the Group had no assessable profits arising in Hong Kong for the current year.

The PRC

In September 2014, MOBI Shenzhen was defined by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation (the "SZ Authorities") as a High and New Technology Enterprise and therefore was entitled to 15% preferential tax rate from the EIT for three years starting from the year ended 31 December 2014, according to the New PRC Enterprise Income Tax Law. On 31 October 2017, the SZ Authorities have further extended the preferential tax rate for another three years starting from the year ended 31 December 2017. Accordingly, the tax rate for MOBI Shenzhen is 15% for the years ended 31 December 2019 and 2018.

In December 2016, MOBI Technologies (Xi An) Co., Ltd. ("MOBI Xian") was defined by Province Finance Bureau and Administrator of Local Taxation of Municipality and Municipal office of the State Administration of Taxation in Shaan Xi, as a High and New Technology Enterprise and therefore was entitled to 15% preferential tax rate from the EIT for three years starting from the year ended 31 December 2016, according to the New PRC Enterprise Income Tax Law. Accordingly, the tax rate of MOBI Xian was 15% for the year ended 31 December 2018 and 25% for the year ended 31 December 2019.

In November 2016, MOBI Telecommunications Technologies (Ji An) Co., Ltd. ("MOBI Jian") was defined by Province Finance Bureau and Administrator (the "Jiang Xi Authorities") of Local Taxation of Municipality and Municipal office of the State Administration of Taxation in Jiang Xi, as a High and New Technology Enterprise and therefore was entitled to 15% preferential tax rate from the EIT for three years starting from the year ended 31 December 2016, according to the New PRC Enterprise Income Tax Law. On 16 September 2019, the Jiang Xi Authorities have further extended the preferential tax rate for another three years starting from the year ended 31 December 2019. Accordingly, the tax rate of MOBI Jian is 15% for the years ended 31 December 2019 and 2018.

In December 2019, MOBI Technology (Shenzhen) Co., Ltd. ("MOBI Technology") was defined by the SZ Authorities as a High and New Technology Enterprise and therefore was entitled to 15% preferential tax rate from the EIT for three years starting from the year ended 31 December 2019, according to the New PRC Enterprise Income Tax Law. Accordingly, the tax rate of MOBI Technology is 15% for the year ended 31 December 2019 (2018: 25%).

The applicable tax rate of other PRC subsidiaries are 25% for the year ended 31 December 2019 (2018: 25%).

7. PROFIT FOR THE YEAR

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Directors' remuneration (excluding equity-settled share based payment)	**3,212**	3,084
Equity-settled share-based payment (including for directors of the Company)	**–**	427
Other staff costs	**222,903**	257,235
Retirement benefits scheme contributions for other staff	**25,003**	30,843
	251,118	291,589
Auditors' remuneration		
– audit services	**2,237**	2,551
Operating lease rentals in respect of		
– rented premises	**–**	6,937
Short-team leases expenses	**3,923**	–
Depreciation of property, plant and equipment	**40,382**	43,812
Depreciation of right-of-use assets	**3,698**	–
Amortisation of intangible assets	**11,974**	9,119
Release of prepaid lease payments	**–**	668
Cost of inventories recognised as expenses	**935,098**	999,187
Write-down on inventories (included in cost of sales)	**1,170**	1,457
Net exchange gain	**(2,498)**	(9,970)
Loss (gain) on disposals of property, plant and equipment	**703**	(1,074)
Impairment losses under ECL model, net of reversal		
– trade receivables	**2,712**	280

8. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Dividends recognised as distribution during the year:		
2018 final dividend of HK$0.02 per share (2018: 2017 final dividend of HK$0.04 per share)	**14,435**	27,675

Subsequent to the end of the reporting period, a final dividend of HK$0.02 per share respect of the year ended 31 December 2019 amounting to approximately HK$16,392,000 (equivalent to approximately RMB15,039,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The final dividend of HK$0.02 per share in respect of the year ended 31 December 2018 was approved by the shareholders in the 2019 annual general meeting on 22 May 2019.

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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Earnings		
Profit for the year attributable to owners of the Company and earnings for purpose of basic and diluted earnings per share	**23,611**	16,689

	2019	2018
	'000	*'000*
	(Unaudited)	*(Audited)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**819,993**	820,489

For the years ended 31 December 2019 and 2018, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables - contracts with customers	**492,000**	543,786
Less: allowance for credit losses	**(14,215)**	(14,122)
	477,785	529,664
Notes and bills receivables	**136,357**	163,125
Rental and utility deposits	**1,395**	1,397
Advance to suppliers	**21,449**	37,977
Value added tax receivables	**30,242**	73,566
Other receivables and deposits	**42,195**	37,936
	709,423	843,665

As at 1 January 2018, the carrying amount of trade receivables from contracts with customers amounted to RMB485,929,000, net of allowance for credit losses amounted to RMB11,660,000.

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 (2018: 30 to 240 days) from the invoice dates, 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. 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.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the customers' acknowledgement of goods receipt date:

	2019 ***RMB'000*** ***(Unaudited)***	2018 *RMB'000* *(Audited)*
0 to 30 days	**130,538**	152,331
31 to 60 days	**65,035**	110,780
61 to 90 days	**57,585**	68,429
91 to 120 days	**39,530**	48,616
121 to 180 days	**62,131**	43,516
Over 180 days	**122,966**	105,992
	477,785	529,664

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

	2019 ***RMB'000*** ***(Unaudited)***	2018 *RMB'000* *(Audited)*
0 to 30 days	**35,460**	27,925
31 to 60 days	**24,657**	36,805
61 to 90 days	**17,181**	31,745
91 to 120 days	**13,322**	43,775
Over 120 days	**45,737**	22,875
	136,357	163,125

All notes and bills received by the Group are with a maturity period of less than one year.

As at 31 December 2019, notes and bills receivables with carrying amount of approximately RMB79,071,000 (2018: Nil) are pledged to secure banking facilities.

11. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**377,759**	544,732
Notes and bills payable	**214,423**	258,824
Payroll payable	**18,976**	26,142
Payable for purchase of property, plant and equipment	**18,091**	32,248
Value added taxes payable	**5,770**	21,639
Accrued expenses	**11,756**	8,208
Others	**20,209**	15,349
	666,984	907,142

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 30 days	**48,355**	106,320
31 to 60 days	**59,065**	111,597
61 to 90 days	**47,375**	98,306
91 to 180 days	**115,076**	163,096
Over 180 days	**107,888**	65,413
	377,759	544,732

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

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 30 days	**–**	51,185
31 to 60 days	**32,501**	54,670
61 to 90 days	**50,743**	–
Over 90 days	**131,179**	152,969
	214,423	258,824

Typical credit term of notes and 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 RMB42.29 million (approximately 3.4%), to approximately RMB1,214.93 million in 2019 (2018: approximately RMB1,257.22 million).

Sales of antenna system increased by approximately 3.6% to approximately RMB737.80 million (2018: approximately RMB712.49 million), while sales of base station RF subsystem decreased by approximately 30.5% to approximately RMB320.22 million (2018: approximately RMB460.72 million). In addition, sales of coverage extension solution and other products increased substantially by approximately 86.8% to approximately RMB156.91 million (2018: approximately RMB84.00 million).

In 2019, the network construction and equipment investment of mobile communication in China has entered the late stage of 4G network construction, and the construction and investment of 5G network was gradually launched. As the commercialization progress of 5G network in China went faster than expected, domestic telecom operators began to plan 5G network construction and delay capital expenditures in 4G network. In addition, as China's economy was affected by international political and economic factors such as trade friction, the industry experienced slower overall growth than expected. Moreover, due to the slowdown in international economic growth and the impact of geopolitical factors, the demand for 4G network construction in some emerging markets (such as India, Mexico and other markets) has slowed down and decreased. Therefore, our sales in 2019 experienced slight fluctuation. However, the Company believes that with the scale construction of 5G network in 2020, domestic telecom operators will gradually increase capital expenditures, which will promote further development of the communications industry and bring more business opportunities for the Company in 2020.

In 2019, the Company maintained steady in the receipt of orders from domestic and overseas customers including 4G and 5G R&D projects and market orders, and won a large share of 5G bids for 5G antenna projects from operators and equipment manufacturers, most of which are expected to be gradually delivered in 2020. In 2019, the sales revenue from 5G products increased significantly by 517.8% as compared with the corresponding period last year, and maintained a sustained and rapid growth trend.

The Company also believes that the Company, as a leader of 4G and 5G antenna and RF subsystem product technologies, will gain greater benefits from the long-term coexistence of 4G and 5G relying on our product technologies and market advantages.

Antenna system

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

In 2019, the Company's antenna products continued to maintain a leading position in the domestic market, meanwhile our continuously improving antenna product technologies and reliability were recognised by more and more international clients.

Major domestic telecom operators continued to promote the in-depth coverage and optimization of 4G network, and strengthened the constructing of Narrowband IoT network and LTE network. Capitalizing on advantages in product technology and cost, sales of the Company's low-band refarming/IoT antennas increased by approximately 2.9% to approximately RMB153.40 million in 2019 as compared with last year. Driven by the in-depth coverage of 4G network in China and the growing demand from overseas operators, sales of multi-band and multi-system antennas increased significantly by approximately 25.2% to approximately RMB370.70 million. Multi-band and multi-system antennas and low-band refarming/IoT antennas will remain major growth drivers for antennas business in the coming period. Microwave antennas also recorded growth with more diversified products, and its sales revenue increased by approximately 8.9% to approximately RMB24.18 million as compared with last year. In addition, with the official commercialization of 5G network in China, revenue from 5G antennas increased significantly by approximately 517.8% to approximately RMB21.20 million as compared with last year.

In addition, the Company continued to actively develop the overseas operator market in 2019 and won positive feedback from the customers. The Company's direct sales to overseas operators are primarily antenna products, which also recorded strong growth in 2019, a significant increase by 19.2% to RMB197.10 million compared with that of last year, with a good growth trend. The Company believes that the scaled construction of 5G network and overseas growth will be the powerhouses for growth in antennas business of the Company in the years to come.

Base station RF subsystem

The Group is a supplier of core RF subsystems for international communication equipment manufacturers, such as ZTE and Nokia, and provides them with a variety of products and solutions. The competition of base station RF subsystem was highly intense in 2019. The Company continued to maintain a leading supplier position among leading global telecommunication equipment manufacturers. The revenue from the Company's base station RF subsystem in 2019 decreased by approximately 30.5% to approximately RMB320.20 million, mainly due to the impact of major domestic telecom operators' delay in network construction and slowdown of demands as well as the slowdown and decrease of demands for 4G network construction in emerging international markets (such as the Indian market). Through the product structural optimization and continuous cost reduction, the Group's gross profit has been recovered gradually as compared with 2018.

In 2019, the Group undertook many research and development projects and market orders of the world's main system equipment manufacturers (such as ZTE and Nokia) including 5G RF subsystem and ceramic dielectric filters, which has gradually formed a large-scale production, and established industry-university research cooperation with various colleges, universities and research institutes. The Group believes that base station RF subsystem products would still have continued growth room in the future, which is due to continuous implementation of low-band refarming and commencement of 5G network construction, and continuous implementation of overseas construction of 4G networks. Customer diversity, high-end products and enhancement of its status as a core supplier are conducive to increasing the market share and profitability of the Group's RF subsystem in the 5G era, bringing a new round of growth in 2020.

Coverage extension solution

In 2019, revenue from the Company's coverage extension solutions increased substantially by approximately 86.8%to approximately RMB156.91 million. Among them, sales revenue from aesthetic antennas increased sharply by approximately 91.0% to approximately RMB136.38 million, while sales revenue from small cell also increased significantly by approximately 229.1% to approximately RMB13.08 million. The Company has secured major shares in China Mobile and China Telecom's national bidding exercise for aesthetic antennas, and continued to deliver on a large scale. Given the increasing scarcity of sites for base stations and the operation of Tower Company (鐵塔公司), the demand for aesthetic antennas by operators will continue to increase substantially. Meantime, the Company has also made considerable progress in the expansion of new businesses, and is fully confident in the prospects under the new ecology in the 5G era.

Customers

In 2019, 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. In particular, the Company has continuously made significant breakthroughs in its overseas expansion, and continued to deepen and enhance its cooperation with overseas operators, leading to increasing proportion in total revenue for consecutive years.

In 2019, the low-band refarming and IoT construction of major domestic telecom operators for the in-depth coverage and optimization of 4G network have brought continuous growth opportunities to the Group's business. Sales to PRC operators increased by approximately 25.9% to approximately RMB544.6 million, and its proportion in total revenue increased by approximately 10 percentage points to approximately 44.8%. Of which, sales to China Unicom grew significantly from 2018 by approximately 273.1% to approximately RMB219.50 million, sales to China Telecom also increased from 2018 by approximately 21.9% to approximately RMB88.79 million, while sales to China Mobile decreased from 2018 by approximately 24.5% to approximately RMB219.64 million. As the 5G commercialization era starts, it is expected that investment of domestic operators in 4G network construction in 2020 will continue to focus on the investment and construction for the in-depth coverage and optimization of low-band refarming and IoT, and significantly increase investment in 5G network construction. The 5G network construction will adopt the turn-key procurement model, i.e. the Company's antenna products are also sold to telecommunication equipment manufacturer customers (such as ZTE) who builds complete networks for delivery to major telecommunication operators. At present, the Group actively participated and gained shares in the major demand projects of the major operators.

Affected by the decline in capital expenditure of the PRC operators for 4G network and strategies of 5G purchase, the Company's sales to the PRC equipment manufacturer customers in 2019 decreased by approximately 23.4% to approximately RMB254.4 million, and its proportion in sales revenue also dropped by approximately 5 percentage points, while the proportion in total revenue was approximately 20.9%. As the 5G network construction of major domestic operators adopts the turn-key procurement model, the Company's long-term strategic cooperation with PRC equipment manufacturer customers will enable the Company to capture early opportunities in the future market, thus bringing about further growth.

The Company's sales to international equipment manufactures in 2019 decreased by approximately 30.78% to approximately RMB214.3 million, and its proportion in total revenue decreased by approximately 7 percentage points to approximately 17.6%. The above decline was mainly due to the slowdown in global macroeconomic growth and demands for mobile network construction in some countries and regions as well as delays in some projects. The Company believes that the Company continued to maintain a leading supplier position among leading global telecommunication equipment manufacturer customers. The Company's quality performance was also recognized by the customers, the relationship with customers continued to be strengthened and reinforced. The Company was more involved in the 5G projects, which we believe will bring better growth opportunities in 2020.

In 2019, the Company made major breakthroughs in direct sales markets, including overseas operators, and won positive feedback from the customers. In 2019, the Company's direct sales to overseas operators and other international customers increased by approximately 19.2% to approximately RMB197.1 million, and its proportion in total revenue increased by approximately 3 percentage points to approximately 16.2%. With the continuous evolution of China's 4G technology and the continuous improvement of the industrial chain, the PRC base station antennas and filter equipment manufacturers continued to expand the international market share, so that products with a high performance-price ratio were still in high demand, whereas the overseas peers have great difficulties in cost reduction. Riding on the Company's proactive and gradual expansion in the overseas operator market for years, the Company's brand has gained considerable reputation and influence among overseas operators, and its market share has grown for consecutive years. The Company is confident in the prospects of overseas market expansion.

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 2019, gross profit of the Company increased by approximately8.4% to approximately RMB279.83 million (2018: approximately RMB258.03 million), and the gross profit margin in 2019 increased by approximately 23.0%, recording growth compared with approximately 20.5% in 2018. The Group improved the overall gross profit margin through the constantly optimizing products sales portfolio, increasing the proportion of high-tech products in sales and implementing effective control of internal costs.

The Company noticed that the technology path in the 3G/4G era is relatively short. As the mature and rapid spread of technology, there will be highly intense price competition in the later stage of technological development, which will impact the profitability of the industry. As 5G is coming soon, the technology evolution path will be longer, and there will be significant increase in technical difficulties, product solutions, quality requirements and application scenarios, which will significantly reduce qualified suppliers and be conducive to the improvement of competitive environment, enabling the Company to more focus on improving product technology. The Company believes that with the continuous evolution of technology products, the Company was full of confidence both in the future recovery and growth of profit margins.

Other income and expenses, other gain and loss

Other income and expenses decreased by approximately 26.1% to approximately RMB30.35 million, mainly due to the decrease in cash discount from suppliers upon settlement as well as net exchange gains of the Company.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 0.8% from approximately RMB82.45 million in 2018 to approximately RMB81.82 million in 2019,mainly due to the decrease in travel expenses, communication costs, office expenses, agency fees and consulting expenses caused by the decreased wages and wage surcharges, strengthened cost control and reduced business activities.

Administrative expenses

Administrative expenses decreased by approximately 2.3% from approximately RMB103.38 million in 2018 to approximately RMB101.00 million in 2019, mainly due to the decrease in expenses on wages, welfare expenses, transportation expenses, low-value consumables, litigation fees and management/utility expenses.

Research and development expenses

During the year, the Company recognised development costs of approximately RMB16.94 million as intangible assets. After the capitalisation, development costs increased by approximately 9.2% from approximately RMB89.07 million in 2018 to approximately RMB97.24 million in 2019, which was mainly attributable to the increase in salaries for research and development activities, communication costs, costs of research and development materials, rents costs, office expenses and amortization of intangible assets. As the development demand of 5G technology and overseas projects increased significantly, the Company's R&D investment is expected to rise rapidly in 2019, which is expected to bring business opportunities in the future.

Finance Costs

Finance costs decreased by approximately 22.3% from approximately RMB13.18 million in 2018 to approximately RMB10.24 million in 2019, mainly due to the partial repayment of bank borrowings. In 2019, bank borrowings of the Company continue decreased by approximately RMB97.92 million to approximately RMB98.88 million.

Profit before tax

In 2019, profit before tax increased to approximately RMB16.76 million (2018: a profit before tax of approximately RMB10.02 million). Net profit margin before tax charges increased from approximately 0.8% in 2018 to approximately 1.4% in 2019.

Taxation

Current income tax expenses decreased by approximately 100% from approximately RMB0.019 million in 2018 to nil in 2019. Effective tax rates calculated from the tax charged to the profit before tax of the Company were approximately nil and approximately 0.2% for 2019 and 2018 respectively.

Profit for the year

Profit for the year 2019 increased by approximately 41.5% to a profit of approximately RMB23.61 million (2018: a profit for the year of approximately RMB16.69 million). The Company's net profit margin was approximately 1.9% in 2019, compared to approximately 1.3% in 2018. The increase in our net profit margin was mainly due to the decrease in distribution and sales expenses, administrative expenses and finance 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 summarized 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 utilize 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, financial condition 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 endeavoring 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 2018 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 overseas 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 official commercialization and the initial launch of 5G in China, the 5G will cause profound changes to industrial structures based on its advantages in high speed, low latency, high bandwidth and wide coverage. The 5G will open a new era for the Internet of Everything, and drive a new wave of technologies and industrial changes. It is expected the large-scale 5G network construction in 2020 will continue to bring new opportunities for the development and integration of the industry. On the one hand, 5G base stations will increase significantly, including the demand for the construction of new base station and reconstruction of the roof of existing base station. On the other hand, the demand of large-scale antenna arrays for base station antennas and base station RF devices will increase significantly, and the technical threshold and difficulty will also rise. With the Company's leading position in customer channels and 5G technology, the Company is in place to capture early opportunities riding on the development waves of 5G.

The Company has always adhered to the important strategy of international development. In the global arena, the overseas 4G cycle will last much longer than that in China. Although 5G is coming soon, 4G technology will still be the mainstream in the global network construction for a long time in the future. With its leading product technology of overseas multi-frequency system, the Company achieved satisfying breakthroughs in multinational operators in 2019 particularly its significant improvement in various aspects such as product technology, quality standards and technical process experiences. In future, the Company will further develop the markets of overseas network operators, continuously enter the short lists of multinational and major regional network operators and continue to increase the Company's share in the global market on a long-term basis. It is foreseeable that the global market share of the Company is still extremely small at present, as such, the continuous expansion of the global market will not only push the way up in periodic development for the next few years, but also achieve sustained growth in a longer period.

Furthermore, the COVID-19 coronavirus outbreak has brought about additional uncertainties in the Group's operating environment in China and overseas markets. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays. The Group has put in place contingency measures to lower the impact from this outbreak. However, the situation remains fluid at this stage.

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 2019, the Group continued to optimize the structural adjustments in the domestic operator market, well implemented domestic operators' procurement tender, and made considerable progress in new business development. In particular, the Group maintained close strategic cooperation with China Unicom and obtained a leading share in customers. With the large-scale 5G network construction in 2020, it is expected that capital expenditures of domestic operators on the wireless network side will gradually resume growth trend. The Company will seize up opportunities brought by the in-depth development of 4G network and construction of 5G network in China, and carry out all-around and in-depth cooperation with operators to provide comprehensive business support including base station antennas systems and coverage extension solutions.

In terms of domestic equipment manufacturers, the Group has the advantage of being a leading supplier, including leading competitiveness in terms of product technology and customer communication. The large-scale construction of 5G network in 2020 may lead to rapid growth, and major equipment manufacturers, especially domestic equipment manufacturers, are expected to obtain an important market share. The Company maintained very close cooperation with domestic equipment manufacturers in the development, testing and production of 5G technology. 5G technology is more complicated and difficult, due to the increasing complexity of 5G technology and the improved value of antenna and RF subsystem, and domestic operator customers are likely to adopt the packaged delivery model. Therefore, the degree of strategic cooperation with system equipment manufacturers will largely determine the domestic market share of 5G antenna and RF subsystem business. The Company's close strategic partnership with domestic equipment manufacturers will further prominent the Company's advantages in the future market.

As for international equipment manufacturers, the Group continued to maintain an advantageous share in 2019. The Group believes that with the implementation of research and development projects for international equipment manufacturers and the progress in the delivery of new products, there will still be opportunities for continued sales growth.

After years of efforts, the Company has been making new breakthroughs in the expansion of overseas direct sales markets. As one of the mobile communications markets with largest procurement scale, most difficult technology and most complex application scenarios in the world, European operators are also the long-term strategic direction of the Company. In 2019, the Company's revenue from direct sales to international operators increased significantly by over approximately 19% as compared with last year, which was recognized by many European customers, maintained the growth momentum in Europe in the past consecutive years In 2020, the Company will intensify efforts to promote the technological upgrading and coverage of products to meet the demand of overseas customers. The Company believes that the direct sales growth in international operators will become another strong driving force for the business growth of the Company in the next few years.

Products

On 6 June 2019, the Ministry of Industry and Information Technology of China officially issued 5G licenses to four operators, namely China Mobile, China Telecom, China Unicom and China Broadcasting Network, marking 5G commercialization in China. With the early issuance of 5G licenses, China accelerates its 5G progress and sees a huge market. There will be overall performance in bandwidth, latency and synchronization in the 5G era. It will bring certain stock and increment opportunities, including the demand for the construction of a large number of new base station and reconstruction and deep coverage of the roof of existing base station, leading to increasing demand for high-end antennas and antenna feeder integration. The Company believes that benefiting from our strong R&D capabilities and leading position in the industry chain, the technical threshold of advanced high-end antennas can be favorable for the Company's competition. At the same time, driven by the application of 5G Massive MIMO technology, 5G RF subsystem will be more complicated, while dielectric filters may become the mainstream solution in line with the development trend of miniaturization, lightweight, and new materials. 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 Company has the research, development and massive production capabilities covering the whole industry chain, and has achieved large-scale supply. In general, the Company believes that by virtue of the Company's leading position in technologies of 5G antennas and radio frequency subsystems, and the integrated and source-based development of antenna and RF subsystem, the Company is in place to capture early opportunities riding on the network construction of 5G depending on our technology and customer accumulation these two segments.

Globally, the overseas LTE network construction is still growing vigorously. Further technology upgrading of multi-frequency, multi-system and multi-beam antennas will be provided by overseas LTE network construction and complicated multi-network stations, getting closer to limit design. The Company has received a number of R&D projects from overseas customers and passed corresponding tests. With the Company's continuous entry into the short lists of overseas operators and the technology accumulation of multi-frequency, multi-system antennas and antenna feeder integration for years, including its improvement in automated and intelligent production capabilities, the Company is capable of further upgrading its antenna development platform to meet the evolving technical demand of international operators.

For coverage extension products and other products, due to more complicated station sites environment and the continuous increase in the demands of domestic operators for network construction optimization and performance improvement, high-quality aesthetic antennas, PicoCell, smart lamp pole, etc. are expected to be applied more broadly, while the Group boasts leading technology strengths in such areas, continuous investment of relevant research and development resources, as well as products which more fit in with customers' demands, thus enhancing mutual trust with customers. Therefore, the Group believes that with the launch of research and development of new businesses and the implementation of projects, there will be more new opportunities for business growth of the Group.

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 due to the deep development of 4G network and the forthcoming 5G construction in scale over the next few years. The Company and the Board will continue to optimize the size and mix of customer base and adopt differentiated competition strategies underpinned by technology and cost advantages to maximize the market opportunities in LTE, 5G and next generation wireless technologies, thus enhancing the Company's overall competitiveness to ensure the robust business performance of the Group 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 2019, the Group had net current assets of approximately RMB641.55 million (2018: approximately RMB637.91 million) including inventories of approximately RMB281.69 million (2018: approximately RMB448.69 million), trade receivables and notes receivable of approximately RMB614.14 million (2018: approximately RMB692.79 million) and trade payables and notes payable of approximately RMB592.18 million (2018: approximately RMB803.56 million).

The Group maintained effective management of its working capital. For the year ended 31 December 2019, average inventories turnover, average receivables turnover and average payables turnover are approximately 143 days (2018: 157 days), 196 days (2018: 232 days) and 272 days (2018: 278 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 2019, the Group recorded a pledged bank balance of approximately RMB137.07 million (2018: approximately RMB171.74 million), cash and bank balances of approximately RMB292.41 million (2018: approximately RMB296.34 million) and recorded bank borrowings of approximately RMB98.88 million (2018: approximately RMB196.80 million). The current ratio (current assets divided by current liabilities) increased from approximately 1.57 times as at 31 December 2018 to approximately 1.82 times as at 31 December 2019. The gearing ratio (bank borrowings divided by total assets) was approximately 5.0% as at 31 December 2019 as compared with a gearing ratio of approximately 8.5% as at 31 December 2018. 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, EUR, CHF 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 2019, the Group had approximately 2,133 staff. The total staff costs amounted to approximately RMB251.12 million for the year ended 2019. 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 2019, bank balances of approximately RMB137.07 million and notes receivables of approximately RMB79.07 million were mainly pledged to secure bank borrowings and bills payable granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 2019, a total amount of 630,000 shares of the Company had been repurchased at prices ranging from HK$0.91 per share to HK$0.94 per share by the Company via Stock Exchange. The Company had subsequently cancelled all these shares repurchased during the year. Save as mentioned above, neither the Company nor the Company or any of its subsidiaries had purchased or sold any of the Company's listed securities during the current year.

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 2019 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 2019 ("2019 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 2019 and 31 December 2019 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 Ms. Ge Xiaojing. 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 2019), internal control and risk management system. The Audit Committee has reviewed the annual results for the year ended 31 December 2019.

DIVIDEND

To share the fruitful results of the Group among all the shareholders, the Board recommends the payment of a final dividend of HK$0.02 per share out of distributable reserve of the Company in respect of the year ended 31 December 2019. 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 8 July 2020 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed no later than 15 April 2020.

PUBLICATION OF UNAUDITED FINAL RESULTS AND 2019 ANNUAL REPORT

This unaudited final results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.mobi-antenna.com). The 2019 annual report of the Company will be published on the above web sites and dispatched to shareholders in due course.

The financial information contained herein in respect of the final results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

31 March 2020

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