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 2020

- Revenue decreased to approximately RMB884.54 million, representing a decrease of approximately 27.2%
- Gross profit margin decrease from approximately 23.0% in 2019 to approximately 22.6% in 2020
- Loss attributable to owners of the Company was approximately RMB29.81 million
- Basic loss per share for the year was approximately RMB3.64 cents
- Do not recommend any payment of final dividend

The board (the "Board") of directors (the "Directors") 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 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	*3*	**884,541**	1,214,929
Cost of sales		**(684,591)**	(935,098)
Gross profit		**199,950**	279,831
Impairment losses under expected credit loss ("**ECL**") model, net of reversal		**(1,550)**	(2,712)
Other income	*4*	**45,316**	29,691
Other gains and losses	*4*	**(20,102)**	657
Research and development expenses		**(109,597)**	(97,244)
Administrative expenses		**(94,958)**	(101,001)
Distribution and selling expenses		**(55,400)**	(81,820)
Finance costs	*5*	**(5,292)**	(10,240)
Fair value change on derivative financial instruments		**(1,349)**	–
Share of results of associates		**(406)**	(406)
(Loss) profit before tax		**(43,388)**	16,756
Income tax credit	*6*	**13,575**	6,855
(Loss) profit and the total comprehensive (expense) income for the year attributable to owners of the Company	*7*	**(29,813)**	23,611
(Loss) earnings per share			
– basic (RMB cents)	*9*	**(3.64)**	2.88
– diluted (RMB cents)	*9*	**N/A**	2.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Non-current Assets			
Property, plant and equipment		**379,256**	377,278
Right-of-use assets		**34,061**	35,461
Deposits for purchase of plant and equipment		**11,671**	7,464
Deferred tax assets		**71,362**	57,172
Intangible assets		**66,312**	66,273
Interests in associates		**4,525**	4,001
		567,187	547,649
Current Assets			
Inventories		**270,017**	281,691
Trade and other receivables	*10*	**624,838**	709,423
Income tax recoverable		**1,586**	1,586
Pledged bank balances		**112,816**	137,074
Bank balances and cash		**371,930**	292,411
		1,381,187	1,422,185
Current Liabilities			
Trade and other payables	*11*	**630,952**	666,984
Contract liabilities		**7,272**	6,206
Bank borrowings		**99,575**	98,882
Derivative financial instruments		**1,349**	–
Tax payable		**604**	–
Lease liabilities		**4,920**	4,408
Deferred income		**2,536**	24
Dividend payable		**–**	4,132
		747,208	780,636
Net Current Assets		**633,979**	641,549
Total Assets less Current Liabilities		**1,201,166**	1,189,198
Non-current Liabilities			
Other borrowing		**65,000**	–
Lease liabilities		**3,851**	5,021
Deferred income		**6,266**	12,749
		75,117	17,770
Net Assets		**1,126,049**	1,171,428
Capital and Reserves			
Share capital		**6**	6
Reserves		**1,126,043**	1,171,422
Equity attributable to owners of the Company		**1,126,049**	1,171,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

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 and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 June 2020.

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

The directors of the Company anticipate that the application of all these 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.

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 Radio Frequency ("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

	2020 **RMB'000**	2019 RMB'000
Segment revenues		
Antenna system	**453,729**	737,796
Base station RF subsystem	**254,899**	320,222
Coverage extension solution	**175,913**	156,911
	884,541	1,214,929
Timing of revenue recognition		
A point in time	**864,064**	1,214,929
Over time	**20,477**	–
	884,541	1,214,929
Segment results		
Antenna system	**53,611**	145,344
Base station RF subsystem	**8,583**	3,922
Coverage extension solution	**28,159**	33,322
	90,353	182,588
Reconciliation of segment results to (loss) profit before tax:		
Impairment losses under ECL model, net of reversal	**(1,550)**	(2,712)
Other income and expenses, other gain and loss	**25,214**	30,348
Unallocated corporate expenses	**(150,358)**	(182,822)
Finance costs	**(5,292)**	(10,240)
Fair value change on derivative financial instruments	**(1,349)**	–
Share of results of associates	**(406)**	(406)
(Loss) profit before tax	**(43,388)**	16,756

	2020 RMB'000	2019 RMB'000
Other segment information		
Depreciation of property, plant and equipment:		
Antenna system	**12,764**	10,038
Base station RF subsystem	**6,997**	4,357
Coverage extension solution	**1,688**	2,135
Segment total	**21,449**	16,530
Unallocated amount	**14,880**	23,852
Group total	**36,329**	40,382
Research and development expenses:		
Antenna system	**62,881**	48,959
Base station RF subsystem	**30,965**	35,486
Coverage extension solution	**15,751**	12,799
Group total *(note)*	**109,597**	97,244
Amortisation of intangible assets:		
Antenna system	**10,988**	8,350
Base station RF subsystem	**6,173**	3,624
Group total	**17,161**	11,974
Allowance for inventories		
Antenna system	**5,701**	5,659
Base station RF subsystem	**10,089**	6,599
Coverage extension solution	**636**	–
Group total *(note)*	**16,426**	12,258

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 2020 and 2019.

The accounting policies of the operating segments are the same as the Group's accounting policies. The Group does not allocate impairment losses, net of reversal, other income and expenses, other gain and loss, unallocated corporate expenses, finance costs, fair value change on derivative financial instruments and share of results of associates to individual reportable segments when making decisions about resources to be allocated to the segments and assessing their performance. This is the measure 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:

	2020	2019
	RMB'000	RMB'000
Segments		
Antenna system		
Multi-band/multi-system antennas	**172,984**	370,698
5G antennas	**126,056**	21,203
WCDMA/FDD-LTE single-band/multi-band antennas	**63,199**	102,267
Low-band refarming/IoT antennas	**37,140**	153,362
Microwave antennas	**13,757**	24,184
FDD+TDD antennas	**3,290**	30,727
AAU antennas	**353**	2,561
CDMA/GSM antennas	**–**	2,659
Other antennas	**36,950**	30,135
	453,729	737,796
Base station RF subsystem		
WCDMA/LTE RF devices	**216,876**	212,632
TD/TD-LTE RF devices	**28,307**	44,137
GSM RF devices	**4,998**	20,098
Low-band refarming/IoT RF devices	**3,522**	41,911
Other devices	**1,196**	1,444
	254,899	320,222
Coverage extension solution		
Aesthetic antennas	**80,376**	136,384
Customer premise equipment	**67,382**	–
Engineering procurement construction	**20,477**	–
Access point	**1,530**	1,086
Small Cell	**1,312**	13,077
Other products	**4,836**	6,364
	175,913	156,911
	884,541	1,214,929

Information about major customers

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

	2020 RMB'000	2019 RMB'000
Customer A[1]	**272,671**	254,367
Customer B[1]	**198,745**	176,768
Customer C[1]	**N/A[2]**	219,637
Customer D[1]	**N/A[2]**	219,498

1 Revenue from antenna system and base station RF subsystem.

2 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:

	2020 RMB'000	2019 RMB'000
The PRC	**489,448**	877,654
Overseas		
Other countries/areas in Asia	**119,912**	158,504
Europe	**204,315**	134,298
Americas	**70,838**	44,473
Others	**28**	–
Subtotal	**395,093**	337,275
	884,541	1,214,929

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

4. OTHER INCOME, OTHER GAINS AND LOSSES

	2020 **RMB'000**	2019 RMB'000
Government grants		
– related to expense items *(note)*	**29,869**	15,938
– related to assets	**3,971**	24
Rental income	**8,556**	7,424
Interest income from bank deposits	**2,920**	6,305
Other income	**45,316**	29,691
Loss on disposals of property, plant and equipment	**(637)**	(703)
Exchange (loss) gain	**(19,426)**	2,498
Gain on disposal of an associate	**–**	509
Others	**(39)**	(1,647)
Other gains and losses	**(20,102)**	657
Total	**25,214**	30,348

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.

During the current year, the Group recognised government grants of RMB1,172,000 in respect of Covid-19-related subsidies.

5. FINANCE COSTS

	2020 **RMB'000**	2019 RMB'000
Interest on bank borrowings	**4,671**	9,931
Interest on lease liabilities	**621**	309
	5,292	10,240

6. TAXATION

	2020 **RMB'000**	2019 RMB'000
Current Tax:		
PRC Enterprise Income Tax ("EIT")	**615**	–
Deferred tax credit	**(14,190)**	(6,855)
	(13,575)	(6,855)

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 both years.

The PRC (excluding Hong Kong)

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 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. On 11 December 2020, the SZ Authorities have further extended the preferential tax rate for another three years starting from the year ended 31 December 2020. Accordingly, the tax rate for MOBI Shenzhen is 15% for the years ended 31 December 2020 and 2019.

In November 2016, MOBI Telecommunications Technologies (Ji An) Co., Ltd. ("MOBI Jian") was defined by Province Finance Bureau and Administrator of Local Taxation of Municipality and Municipal office of the State Administration of Taxation in Jiang Xi (the "Jiang Xi 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 2016, according to the 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 2020 and 2019.

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 PRC Enterprise Income Tax Law. Accordingly, the tax rate of MOBI Technology is 15% for the year ended 31 December 2020 and 2019.

The applicable tax rate of other PRC subsidiaries is 25% for the year ended 31 December 2020 (2019: 25%).

7. (LOSS) PROFIT FOR THE YEAR

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

	2020	2019
	RMB'000	RMB'000
Directors' remuneration (including equity-settled share based payment)	**3,453**	3,212
Other staff costs	**215,689**	222,903
Retirement benefits scheme contributions for other staff	**11,383**	25,003
	230,525	251,118
Less: amount capitalised as cost of inventories manufactured	**(77,105)**	(97,610)
	153,420	153,508
Auditors' remuneration		
– audit services	**2,192**	2,237
Lease payment on short-term leases in respect of premises	**2,442**	3,923
Depreciation of property, plant and equipment	**36,329**	40,382
Depreciation of right-of-use assets	**6,061**	3,698
Amortisation of intangible assets	**17,161**	11,974
	59,551	56,054
Less: amount capitalised as cost of inventories manufactured	**(18,022)**	(18,060)
	41,529	37,994
Cost of inventories recognised as expenses	**684,591**	935,098
Write-down on inventories (included in cost of sales)	**16,426**	12,258
Impairment losses under ECL model, net of reversal	**1,550**	2,712

8. DIVIDENDS

	2020	2019
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2019 final dividend of HK$0.02 per share (2019: 2018 final dividend of HK$0.02 per share)	**15,080**	14,435

No final dividend for the year ended 31 December 2020 was recommended by the directors.

The final dividend of HK$0.02 per share in respect of the year ended 31 December 2019 was approved by the shareholders in the 2020 annual general meeting held on 5 June 2020.

9. (LOSS) EARNINGS PER SHARE

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

	2020 **RMB'000**	2019 RMB'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company and (loss) earnings for purpose of basic (loss) earnings per share	**(29,813)**	23,611
Profit for the year attributable to owners of the Company and earnings for purpose of diluted earnings per share	**N/A**	23,611

	2020 **'000**	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**819,444**	819,993
Weighted average number of ordinary share for the purpose of diluted earnings per share	**N/A**	819,993

The computation of diluted loss per share does not presented as there is anti-dilutive effect on the basic loss per share for the year ended 31 December 2020 if assumed the exercise of the Company's options. 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 of shares for the year ended 31 December 2019.

10. TRADE AND OTHER RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Trade receivables - contracts with customers	**356,422**	492,000
Less: allowance for credit losses	**(10,493)**	(14,215)
	345,929	477,785
Notes and bills receivables	**160,218**	136,357
Rental and utility deposits	**1,396**	1,395
Advance to suppliers	**38,963**	21,449
Value added tax receivables	**40,545**	30,242
Other receivables and deposits	**37,787**	42,195
	624,838	709,423

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 (2019: 30 to 240 days) from the invoice dates. 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 invoice dates:

	2020	2019
	RMB'000	RMB'000
0 to 30 days	**120,581**	130,538
31 to 60 days	**36,639**	65,035
61 to 90 days	**35,071**	57,585
91 to 120 days	**14,033**	39,530
121 to 180 days	**26,457**	62,131
Over 180 days	**113,148**	122,966
	345,929	477,785

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

	2020	2019
	RMB'000	RMB'000
0 to 30 days	**7,294**	35,460
31 to 60 days	**5,806**	24,657
61 to 90 days	**12,552**	17,181
91 to 120 days	**30,749**	13,322
Over 120 days	**103,817**	45,737
	160,218	136,357

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 RMB79,071,000 were pledged to secure the Group's banking facilities. No notes and bills receivables were pledged as at 31 December 2020.

11. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables	**374,648**	377,759
Notes and bills payable	**177,974**	214,423
Payroll payable	**22,218**	18,976
Payable for purchase of property, plant and equipment	**20,915**	18,091
Value added taxes payable	**6,128**	5,770
Accrued expenses	**12,797**	11,756
Others	**16,272**	20,209
	630,952	666,984

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

	2020	2019
	RMB'000	RMB'000
0 to 30 days	**72,801**	48,355
31 to 60 days	**49,133**	59,065
61 to 90 days	**48,396**	47,375
91 to 180 days	**111,294**	115,076
Over 180 days	**93,024**	107,888
	374,648	377,759

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:

	2020	2019
	RMB'000	RMB'000
0 to 30 days	**–**	–
31 to 60 days	**36,324**	32,501
61 to 90 days	**94,061**	50,743
Over 90 days	**47,589**	131,179
	177,974	214,423

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 RMB330.39 million (approximately 27.2%), to approximately RMB884.54 million in 2020 (2019: approximately RMB1214.93 million).

Sales of antenna system decreased by approximately 38.5% to approximately RMB453.73 million (2019: approximately RMB737.80 million), while sales of base station RF subsystem decreased by approximately 20.4% to approximately RMB254.90 million (2019: approximately RMB320.22 million). In addition, sales of coverage extension solution and other products increased substantially by approximately 12.1% to approximately RMB175.91 million (2019: approximately RMB156.91 million).

The market situation in 2020 suffered tremendous changes and was filled with tests and challenges. Due to the continuous impact of the outbreak of COVID-19 on global economy, as well as the influence of international political factors, some network construction and equipment investment projects in China's domestic mobile communication industry were delayed. In particular, the bidding for relevant 5G antenna and RF subsystem projects was delayed after the third quarter of 2020. In the meantime, the construction of 4G networks of China's domestic mobile communication entered a later stage, the capital expenditures of 4G networks further declined significantly, and the overall industry growth slowed down than expected. In addition, as affected by the sharp slowdown of global economic growth and negative economic growth in most countries and regions, as well as international geopolitical factors, the demand for 4G network construction in some emerging markets (such as India, Mexico) drastically slowed down and decreased, and the progress of relevant projects failed to meet expectations. As a result, sales of the Group fluctuated in 2020. However, the Group believes that with the effective control of the epidemic situation and the implementation of the "new infrastructure" policy, the communication industry is about to usher in a new round of development, especially in China, which will bring endless opportunities to business development of the Group. Meanwhile, based on the richer application scenarios in the 5G era, the industry application of 5G has been explored in multiple fields and has started piloting from the scratch. In view of this, the Group has further participated in application in vertical industries, and made breakthrough progress in related business development, which is believed to be the Group's new source of growth.

In 2020, the Group 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, the sales revenue from 5G antenna system products increased significantly by 494.5% as compared with the last year, and maintained a sustained and rapid growth trend. In the meantime, despite the continuous impact of the global outbreak of COVID-19 and the project delays in most overseas regions, the export business still maintained a continuously rapid growth momentum, which increased significantly by 17.1% as compared with that of last year, with its proportion in total revenue of the current period increasing to approximately 44.7%.

The Group also believes that the Group, 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 2020, the Group'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.

In 2020, the Group's revenue from antenna system products decreased by approximately 38.5% to approximately RMB453.73 million (2019: approximately RMB737.80 million), as compared with that in 2019, whose adjustment was most affected by the market situation. Of which, as 2020 is the first year of large-scale construction and application of 5G networks, major domestic operators have invested relevant capital expenditure in large-scale construction of 5G networks, so the Group's sales of 5G antennas substantially increased by approximately 494.5% to approximately RMB126.06 million, as compared with that in 2019. In addition, driven by the demand for overseas network construction, the Group made a major breakthrough in multi-beam antennas, with revenue increasing by approximately 311.0% to approximately RMB5.88 million, as compared with that of last year. However, as the construction of 4G networks of domestic mobile communication entered a later stage and the capital expenditures of 4G networks further declined significantly, sales from WCDMA/FDD-LTE antennas and low-band refarming/IoT antennas decreased by approximately 38.2% and approximately 75.8% to approximately RMB63.20 million and approximately RMB37.14 million respectively, as compared with that in 2019. In addition, due to the continuous impact of the global outbreak of COVID-19, the changes of domestic operators in investment hotspots, and the delays in implementation of certain awarded projects of overseas operators, sales from multi-frequency and multi-system antennas decreased by approximately 53.3% to approximately RMB172.98 million as compared with that of last year.

In addition, the Group continued to actively develop the overseas operator market in 2020 and won positive feedback from the customers. The Company's direct sales to overseas operators are primarily antenna products, which recorded strong growth in 2020,even though continued impact of the COVID-19 epidemic leads to a sharp slowdown in the overall economic growth, a significant increase by 7.7% to approximately RMB212.18 million compared with that of last year, with a good growth trend. The Group believes that the scaled construction of 5G network and overseas growth will be the powerhouses for growth in antennas business of the Group 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 2020. The Group continued to maintain a leading supplier position among leading global telecommunication equipment manufacturers. In 2020, the Group's revenue from base station RF subsystems decreased by approximately 20.4% to approximately RMB254.90 million, doubly affected by the changes in investment hotspots for construction of China's domestic mobile communication networks and the project delays caused by the continuous impact of the overseas outbreak of COVID-19. However, through the product structure optimization and the continuous cost reduction, the Group's gross profit margin picked up year by year, with the competitive edges continuously intensified.

In 2020, 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 4G and 5G RF subsystem, dielectric filters, combiner and diplexer, which have gradually formed a large-scale production. In the meantime, the Group won the bid for RF device projects of major domestic operators and some overseas operators, and achieved large-scale delivery in 2020. The Group believes that base station RF subsystem products would still have continued growth room in the future, which is due to 5G network construction starting high and low frequency collaborative networking, 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 the future.

Coverage extension solution and others

The arrival of the 5G era brings rich application scenarios and empowers vertical industries. Meanwhile, the industry application of 5G has been explored in multiple fields and has started piloting from the scratch. The Group is committed to creating a diversified product portfolio and participating more in the construction of a new ecology in the 5G era. In 2020, the Group's revenue from coverage extension solution products and other products increased significantly by approximately 12.1% to approximately RMB175.91 million, and achieved substantial growth for several consecutive years, mainly due to the breakthrough in new business development. Of which, sales of customer terminal equipment increased significantly by approximately 100% to approximately RMB67.38 million, and sales of EPC projects increased significantly by approximately 100% to approximately RMB20.48 million. All of the above businesses have achieved major breakthroughs and formed large-scale delivery in 2020. The Group is full of confidence in the diversified product portfolio and vertical industry expansion in future, which is believed to be a new source of growth for the Group.

Customers

In 2020, the Group noted that a change in market pattern resulted in a change in customer revenue structure, and the Group's in-depth cooperation with telecommunication equipment manufacturers and telecommunication operators allowed the Group to enjoy distinctive competitive strengths in changing market opportunities. In particular, the Group has continuously made significant breakthroughs in its overseas expansion, and continued to deepen and enhance its cooperation with overseas customers, leading to increasing proportion in total revenue for consecutive years.

In 2020, the start-up of large-scale construction of 5G networks in the domestic market brought about opportunities for the continuous growth of the Group's businesses. As the delivery method of turnkey procurement is adopted for the high-band construction of 5G networks, and the 5G antenna system products and RF subsystem products of the Group are delivered to network solution equipment manufacturers, the Group's sales to the PRC equipment manufacturer customers in 2020 increased by approximately 7.3% to approximately RMB272.94 million as compared with that of last year, and its proportion in total revenue of the current period increased to approximately 30.9%. However, as major domestic operators delayed the construction of some 5G network capital projects in the second half of the year, especially after the third quarter, the growth of this portion was mainly reflected in the first half of the year.

In 2020, the Group's sales to international equipment manufacturers was basically the same as that of last year, which decreased slightly by approximately 0.9% to approximately RMB212.40 million, and accounted for approximately 24.0% of the total revenue. This was mainly affected by the outbreak of COVID-19 at home and abroad, for which the demand for mobile network construction in some countries and regions slowed down and some projects were delayed. However, the Group continues to maintain a leading supplier position among leading global equipment manufacturer customers, with both its technology and quality performance highly recognized by customers, and the cooperation therebetween further deepening and strengthening. It is believed that with the mitigation of the outbreak of COVID-19 and the recovery of the demand for international mobile network construction, new growth opportunities will still arise in the future.

2020 is the first year of large-scale construction and application of 5G networks. Due to the changes in investment hotspots for the construction of domestic mobile communication networks, 5G networks started large-scale construction, while capital expenditures of 4G network and low-band refarming slowed down significantly. In addition, in the early stage of 5G wireless network construction, 5G AAU was a major part, and domestic operators changed the subcontracting procurement strategy to the turnkey procurement strategy. As a result, the revenue from the PRC network operators declined in 2020. Of which, sales to China Mobile, China Telecom and China Unicom decreased by approximately 81.2%, 50.9% and 72.9% to approximately RMB41.30 million, RMB43.63 million and RMB59.55 million respectively, as compared with that of last year. However, sales from China Tower in 2020 increased significantly by 66.0% to approximately RMB27.71 million as compared with that of last year, due to the strategic cooperation therebetween being continuously deepened. In the meantime, the scope of cooperation between the Group and major domestic operators is constantly deepening and strengthening. On the one hand, the Group has realized large-scale delivery of 5G indoor distribution products and 5G aesthetic projects for the first time; on the other hand, the Group has participated in the ICT, RF devices and other projects of major domestic operators, and has successfully realized the optimization of product structure. The 5G network construction in China is now in an "introductory stage". With the large-scale deployment of medium and high-band 5G networks and the gradually increasing demand for low-band network construction, the upcoming high and low-frequency collaborative networking will make the procurement strategies more diversified. In addition, the industry application of 5G has been explored in multiple fields, and large-scale commercial application is expected. Based on the above circumstances, the Group believes that there will be great opportunities for domestic 5G construction continually in the future, which will benefit sales and profit growth in 2021 and later years.

In 2020, the Group made major breakthroughs in direct sales markets, including overseas operators, and won positive feedback from the customers. In 2020, although due to continued overseas impact of the COVID-19 epidemic, the Group's direct sales to overseas operators and other international customers increased by approximately 7.7% to approximately RMB212.18 million, and its proportion in total revenue increased by approximately 8 percentage points to approximately 24.0%. 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 had great difficulties in cost reduction. Riding on the Group's proactive and gradual expansion in the overseas operator market for years, the Group's brand has gained considerable reputation and influence among overseas operators, and its market share has grown for consecutive years. The Group is confident in the prospects of overseas market expansion.

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

Gross profit

In 2020, the Group's gross profit decreased by approximately 28.5% to approximately RMB199.95 million (2019: approximately RMB279.83 million), while the gross profit margin decreased from approximately 23.0% in 2019 to approximately 22.6%. This has embraced the influencing factor of inventory impairment provision. If relevant influence was excluded, the gross profit increased by approximately RMB16.43 million to approximately RMB216.38 million, and the gross profit margin was approximately 24.5%. The Group will continue to improve the overall gross profit margin through constantly optimizing the product sales portfolio, increasing the sales proportion of high-tech products and implementing effective control of internal costs.

The Group noticed that the technology path in the 3G/4G era is relatively short. With the maturity 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 Group to focus more on improving product technology. The Group believes that with the continuous evolution of technology products and the continuous expansion of new business, the Group is full of confidence both in the future recovery and growth of profit margins.

Other income

Other income increased by approximately 52.6% to approximately RMB45.32 million, mainly due to the increase in the government grants.

Other gains and losses

Other gains and losses decreased by RMB20.76 million to approximately RMB20.10 million, mainly due to the substantial increase in net exchange losses.

Distribution and Selling Expenses

Distribution and selling expenses decreased significantly by approximately 32.3% from approximately RMB81.82 million in 2019 to approximately RMB55.40 million in 2020, mainly due to the decrease in travel expenses, logistics costs, business fees, social insurance premiums, consulting expenses and low-value consumables caused by the decreased wages, strengthened cost control and reduced business activities.

Administrative expenses

Administrative expenses decreased by approximately 6.0% from approximately RMB101.00 million in 2019 to approximately RMB94.96 million in 2020, mainly due to the decrease in expenses on rents, social insurance charges, labor union dues, maintenance costs and business expenditures.

Research and development expenses

During the year, the Group recognised development costs of approximately RMB17.20 million as intangible assets. After the capitalisation, development costs increased by approximately 12.7% from approximately RMB97.24 million in 2019 to approximately RMB109.60 million in 2020, which was mainly attributable to the increase in salaries for research and development activities, utility expenses, test fee, welfare expenses and amortization of intangible assets. As the development demand of 5G technology and overseas projects increased significantly, the Group's R&D investment is expected to rise rapidly in 2020, which is expected to bring business opportunities in the future.

Finance Costs

Finance costs decreased by approximately 48.3% from approximately RMB10.24 million in 2019 to approximately RMB5.29 million in 2020, mainly due to the decrease in the interest expense of bank borrowings.

Profit before tax

Recorded loss before tax for the year 2020 was approximately RMB43.39 million (2019: a profit before tax of approximately RMB16.76 million). Net profit margin before tax charges decreased from approximately 1.4 % in 2019 to approximately -4.9% in 2020.

The decrease of profit before taxation for this year is mainly due to the great impact of market fluctuation on sales revenue, the increase of R&D cost arising from the increase of new research projects, the increase of exchange loss resulting from the distinct fluctuation of the US dollar to RMB exchange rate, and the increase of asset impairment reserves.

Taxation

The income tax expenses for the current period were nil for two consecutive years. Effective tax rates calculated from the tax charged to the profit before tax of the Group were nil for 2020 and 2019 respectively.

Profit for the year

Recorded loss for the year 2020 was approximately RMB29.81 million (2019: a profit for the year of approximately RMB23.61 million). The Group's net profit margin was approximately -3.4% in 2020, compared to approximately 1.9% in 2019. The decrease in our net profit margin was mainly due to the decrease in the sales revenue, the increase in net exchange loss and research and development expenses.

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 Group 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 Group 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 Group's subsidiaries in mainland China while the Group 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 2020 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 is no material breach of or non-compliance with the applicable laws and regulations by the Group.

FUTURE PROSPECTS

Prospects

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

The Group believes that with the promotion of 5G large scale construction 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. Opening a new era of Internet of everything, 5G network has become the driving force of a new wave of technology and industrial transformation. According to the estimation of the Ministry of Industry and Information Technology in 2020, 5G in China will still be in an "introductory stage" in the next three years. Enterprises shall adhere to the "moderately ahead" construction rhythm and form into a 5G benign development mode of "promoting 5G application through construction". Under the background of the strategic planning for "new infrastructure" by the central government and the policy and industrial supports by local governments, new opportunities for industrial development and industry integration will be brought about continuously with the continual large-scale construction of 5G networks in the future. On the one hand, 5G is about to start the high and low-frequency collaborative networking, and the number of base stations will increase in scale, which will result in the demand for a large number of new base stations, as well as the needs of roof reconstruction of existing base stations. On the other hand, as driven by the 5G network construction, the process of digital transformation in various fields has been accelerated. 5G application will probably achieve more explosive development, while the vertical application is expected to emerge gradually. With the Group's leading position in customer channels and 5G technology, the Group is in place to capture early opportunities riding on the development waves of 5G.

The Group 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. 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 and multi-beam products technology, the Group achieved satisfying breakthroughs in multinational operators in 2020 particularly its significant improvement in various aspects such as product technology, quality standards and technical process experiences. In future, the Group 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 Group's share in the global market on a long-term basis. It is foreseeable that the global market share of the Group 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.

Customers

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

In 2020, the Group continuously expanded and deepened the scope of services to and cooperation with domestic operators. On the one hand, it maintained close strategic cooperation in traditional macrocell antennas, integrated aesthetic antennas and other projects, and on the other hand, it carried out in-depth cooperation in RF devices, indoor distribution projects, aesthetic comprehensive solutions, special scenario coverage, etc. With the continuous advancement of domestic 5G network construction, the implementation of 700MHz co-construction and sharing cooperation framework between China Mobile and China Broadcasting Network, the 2100MHz co-construction, sharing and refarming between China Telecom and China Unicom in a concentrated manner, and the complementary and coordinated development of bands among operators will accelerate the construction of domestic 5G wireless networks. The Group believes that this will bring business opportunities for sustained growth in 2021 and in the future.

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

As for international equipment manufacturers, the Group continued to maintain an advantageous share in 2020. The Group believes that with the ease of the overseas COVID-19 epidemic, 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 business growth.

Through continuous technology accumulation and market expansion, the Group has continuously made new breakthroughs in the development of overseas direct sales markets. Especially in the European operator market, its sales continue to climb even with the continuous influence of the overseas outbreak of COVID-19. Meanwhile, it has also made breakthrough progress in the African market. The European operator market is one of the mobile communication markets with the largest procurement scale, the highest technical difficulty and the most complex application scenarios in the world, as well as the long-term strategic direction of the Group. In 2021, the Group will make efforts to promote the technological upgrade of the Group's products and improve the Group's product coverage to meet the demand of overseas customers. The Group believes that the direct sales growth in international operators will become another strong impetus for the Company's business growth 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. In December 2020, the Ministry of Industry and Information Technology of China issued a 10-year license for the use of 5G medium and low-frequency use licenses to China Telecom, China Mobile and China Unicom. Hence, the major four domestic operators have covered multiple frequency bands with their respective advantages. The low-frequency use licenses can be used as the coverage layer to provide wide coverage and deep coverage, the medium-frequency band can be used as the continuous capacity layer, and the high-frequency band can be used as the hotspot capacity layer to solve the capacity demand. The coverage of multiple frequency bands will help utilize the advantages of each frequency band effectively, improve the utilization efficiency and benefits of frequency resources, and thus realize comprehensive improvement in bandwidth, latency, and synchronization performance in the 5G era. This will continue to bring about new opportunities for industrial development and industry integration. On the one hand, 5G is about to start the high and low-frequency collaborative networking, and the number of base stations will increase in scale, which will result in the demand for a large number of new base stations, as well as the needs of roof reconstruction of existing base stations. On the other hand, as driven by the 5G network construction, the process of digital transformation in various fields has been accelerated. 5G application will probably achieve more explosive development, while the vertical application is expected to emerge gradually. The Group believes that the technological threshold of cutting-edge high-end antennas and the innovatory base station RF subsystem technology are beneficial to the Group in competition, while the Group has the capacity of the whole industry chain for product research and development and mass production, and has supplied goods massively. In general, the Group believes that with the Group's leading position in technologies of 5G antennas and RF subsystems, and the integrated and source-based development of antennas and RF subsystems, the Group's technology and customer accumulation in these two segments will enable the Group to get ahead in 5G network construction.

Globally, despite the popularization of LTE network, its overall development remains highly unbalanced, with the long-term imbalance between regions. Therefore, despite the temporary influence of the outbreak of COVID-19 in foreign countries, LTE network construction continues. The demand for overseas LTE network construction and complex multi-network stations will bring about a further upgrade of multi-frequency and multi-system antenna and multi-beam antenna technologies, making them closer to ultimate design. The Group has undertaken a number of R&D projects from overseas customers and passed corresponding tests. The Group's continuous entry into the shortlists for overseas operators, and the accumulation of multi-frequency and multi-system integrated antenna technology and hybrid beam antenna technology, including its improvement in automated and intelligent production capabilities, enable the Group to further upgrade its antenna development platform to meet the evolving technical demands of international operators.

In terms of coverage extension solution products and other products, due to the rich application scenarios generated in the 5G era and new business forms in vertical industries, the business models and product demands of domestic operators are more diversified, therefore, there will be a broad application space for the ecological portfolio of products. However, the Group has been deeply engaged in the communication industry for many years, with relevant leading technological advantages, and has continuously invested research and development and market resources. The Group believes that the continuous widening and deepening of the scope of services to and cooperation with domestic operators will bring more new business growth opportunities for the Group in the application business in 5G vertical industries.

Conclusion

The Group is one of the few one-stop solution providers of RF technology for global network operators and 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 Group believes that the telecommunication equipment industry is expected to see another growth cycle due to the deep development of 4G network and the proceeding of 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 Group'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

The Group have funded the Group's operations and capital requirements from cash generated from business, 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 2020, the Group had net current assets of approximately RMB633.98 million (2019: approximately RMB641.55 million) including inventories of approximately RMB270.02 million (2019: approximately RMB281.69 million), trade receivables and notes receivable of approximately RMB506.15 million (2019: approximately RMB614.14 million) and trade payables and notes payable of approximately RMB552.62 million (2019: approximately RMB592.18 million).

The Group maintained effective management of its working capital. For the year ended 31 December 2020, average inventories turnover, average receivables turnover and average payables turnover are approximately 147 days (2019: 143 days), 231 days (2019: 196 days) and 305 days (2019: 272 days) respectively. We offer credit terms generally accepted in the antenna system 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 2020, the Group recorded a pledged bank balance of approximately RMB112.82 million (2019: approximately RMB137.07 million), cash and bank balances of approximately RMB371.93 million (2019: approximately RMB292.41 million) and recorded bank and other borrowings of approximately RMB164.58 million (2019: approximately RMB98.88 million). The current ratio (current assets divided by current liabilities) increased from approximately 1.82 times as at 31 December 2019 to approximately 1.85 times as at 31 December 2020. The gearing ratio (bank borrowings divided by total assets) was approximately 8.4% as at 31 December 2020 as compared with a gearing ratio of approximately 5.0% as at 31 December 2019. 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 2020, the Group had approximately 2,346 staffs. The total staff costs amounted to approximately RMB230.53 million for the year ended 2020. 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 staffs based on their performance.

CHARGE ON ASSETS

As at 31 December 2020, bank balances of RMB112.82 million were pledged to secure bank borrowings and bills payable granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 2020, a total amount of 745,000 shares of the Company had been repurchased at prices ranging from HK$0.72 per share to HK$0.75 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 2020 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 2020 ("2020 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 2020 and 31 December 2020 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 2020), internal control and risk management system. The Audit Committee has reviewed the annual results for the year ended 31 December 2020.

DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 December 2020.

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 2020 ANNUAL REPORT

This 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 2020 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

30 March 2021

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.