ANNUAL REPORT 2015

西安海天天綫控股股份有限公司
Xi'an Haitian Antenna Holdings Co., Ltd.*

(formally known as 西安海天天綫科技股份有限公司 (Xi'an Haitian Antenna Technologies Co., Ltd.*))
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8227)

*for identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Xi'an Haitian Antenna Holdings Co., Ltd. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

Contents

Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")
No.66 Jinye Road
Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room B, 16th Floor, Yam Tze Commercial Building
23 Thomson Road, Wanchai
Hong Kong

GEM STOCK CODE
8227

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www.xaht.com

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Locke Lord
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1 Garden Road
Central, Hong Kong

AUDITOR
SHINEWING (HK) CPA Limited
43/F., The Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

COMPANY SECRETARY
Mr. Lun Ka Chun (倫家俊先生)

MEMBERS OF AUDIT COMMITTEE
Ms. Huang Jing (黃婧女士) (Chairman)
Mr. Li Wenqi (李文琦先生)
Mr. Zhang Jun (張鈞先生)

MEMBERS OF REMUNERATION COMMITTEE
Ms. Huang Jing (黃婧女士) (Chairman)
Mr. Sun Wenguo (孫文國先生)
Ms. Professor Shi Ping (師萍教授)

MEMBERS OF NOMINATION COMMITTEE
Mr. Zhang Jun (張鈞先生) (Chairman)
Mr. Xie Yiqun (解益群先生)
Ms. Huang Jing (黃婧女士)

AUTHORISED REPRESENTATIVES
Mr. Xiao Bing (肖兵先生)
Mr. Lun Ka Chun (倫家俊先生)

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE
Mr. Lun Ka Chun (倫家俊先生)

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS
China Construction Bank
No.42 Gao Xin Lu
Gaoxin District
Xi'an, Shaanxi Province, The PRC

Bank of Ningxia
No.3 Tang Yan Lu
Gaoxin District
Xi'an, Shaanxi Province, The PRC

Bank of Communication
No.48 Ke Ji Lu
Gaoxin District
Xi'an, Shaanxi Province, The PRC

Bank of Xi'an
No.48 Jian Guo Lu
Beilin District
Xi'an, Shaanxi Province, The PRC

China Everbright Bank
No.60 Nan Er Huan Xi Duan
Gaoxin District
Xi'an, Shaanxi Province, The PRC

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual report of Xi'an Haitian Antenna Holdings Co., Ltd. together with its subsidiaries (the "Group") for the year ended 31 December 2015 on behalf of the board of Directors (the "Board").

In 2015, the traditional mobile communication antenna business was affected by the recession in the whole PRC mobile communication industry. The intensifying price competition in antenna market caused the Company made a strategic adjustment. The Company initiatively gave up low-profit orders in normal mobile antenna market and focused on the operation of high-profit communication service business, including network optimisation and special antenna. The Group also focus on the income source expansion and cost reduction, product structure reshuffling, and developed a series of aerospace products including several unmanned aerial vehicles, aviation electronic imaging and monitoring machines with maintenance, inspection and training services related to above businesses. In respect of marine project equipment, the Group developed underwater monitoring, underwater imaging, underwater machinery and other products; meanwhile, the Group continued to commence accumulation of new technology in the areas including automobile electronics related products, thereby achieving initial success in our strategic transformation.

Secondly, in order to satisfy the market and our customers, and to completely improve our firm infrastructure of research development, inspection and production, the Company built a factory with approximately 10,000 square metres for production, research and office usage in 2015. Therefore, the Company formed a solid foundation to ensure the productivity demand of new products and for our new development in the future.

In addition, from the second half of 2014 to 2015, by seeking new strategic investors, the Company successively completed two equity private placements involving 300,000,000 new H shares and 400,000,000 new domestic shares, and made an equity private placement involving 92,000,000 new H shares from the end of 2015 to early 2016 which has been approved by the China Securities Regulatory Commission. Through above three placements, the Group successfully raised approximately HKD56.70 million, RMB42.00 million and HKD30.36 million respectively. The private placements had helped replenishing the Company's operating cash flow and creating a strong basis for the business development of the Company in 2015.

The Group plans to optimise resources allocation, make active R&D efforts for tapping into new business areas, maintain and expand relevant niche and seek for additional financing channels in 2016 to gain new access of funding, grow into diversified operations and strive for better performance.

On behalf of the Board, I would like to express heartfelt gratitude to all of the valuable customers, business partners and staff who are closely-related to the Group, and express sincere thanks to our shareholders for their strong enduring support since the listing of the Group. To show our appreciation to all of you for your confidence and patronage, the Group will be dedicated to reaping prominent returns for our investors.

Xiao Bing
Chairman

Xi'an, the PRC
18 March 2016

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

Revenue recorded for the year ended 31 December 2015 was approximately RMB23.34 million, representing a significant increase of approximately 111.6% from RMB11.03 million in the year of 2014. Although the existing sales of antenna products and related services were affected by prolonged price competition in telecommunication industry throughout the year, the new source of revenue from the segment of underwater surveillance and related products made a great contribution to the growth in revenue since the second quarter of 2015.

Over 42% of revenue was generated from the segment of underwater surveillance and related products, of which approximately 40% of revenue was attributable to alarm and surveillance system. In respect of underwater imaging products, they were accounted for merely 2% of revenue since their introduction to the market in the fourth quarter of 2015.

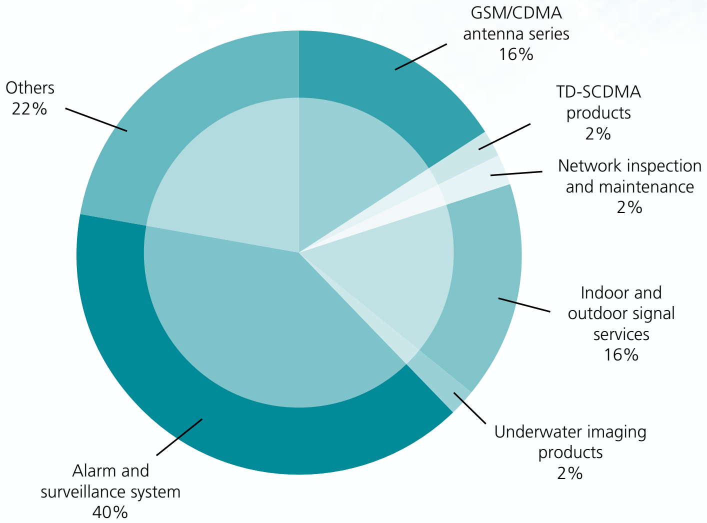
Traditional sales from GSM/CDMA antenna series and TD-SCDMA products were dropped from approximately 17% and 17% of revenue in 2014 to approximately 16% and 2% of revenue for the year respectively. Service income from network inspection and maintenance was also decrease from approximately 20% of revenue in 2014 to approximately 2% of revenue for the year, and less than 1% of revenue attributable to exports was recorded as no subcontracting income of radio-frequency module was recognised during the year which was accounted for approximately 37% of revenue in 2014. Approximately RMB3.84 million, approximately 16% of revenue, was generated from indoor and outdoor signal services as the result of indispensable demand for network improvement. Nevertheless the recession in the whole telecommunication industry, the revenue from the segment of antennas products and related services was still increased by approximately 22%, compared to revenue of approximately RMB11.03 million in 2014.

Based on product structure reshuffling and introduction of new segment of products and services during the year, customer bases were further diversified not only to local agents and international suppliers for telecommunication facilities, but also market of marine products. Approximately 27% of revenue was generated from three major telecommunication operators under the prevailing strategy, compared to approximately 44% in 2014. Further effort would be devoted to the markets of marine products and, as and when appropriate, aerospace products.

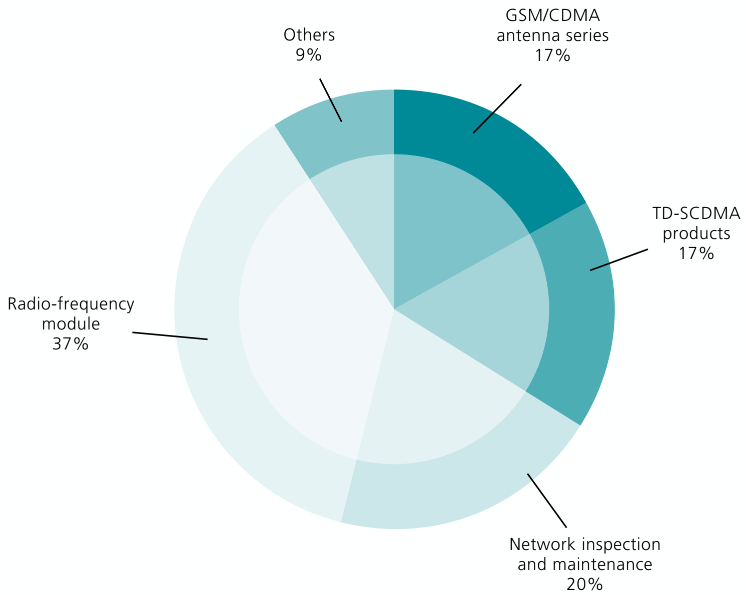
Management Discussion and Analysis

Composite of revenue by product line for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, are provided as follows:

For the year ended 31 December 2015 (by product line)

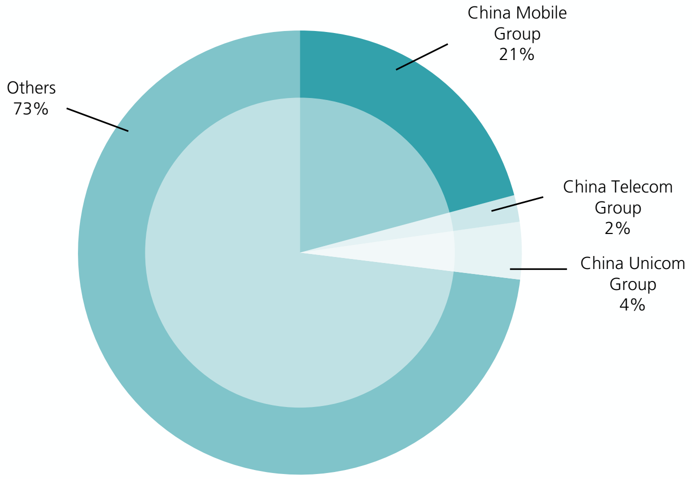


For the year ended 31 December 2014 (by product line)

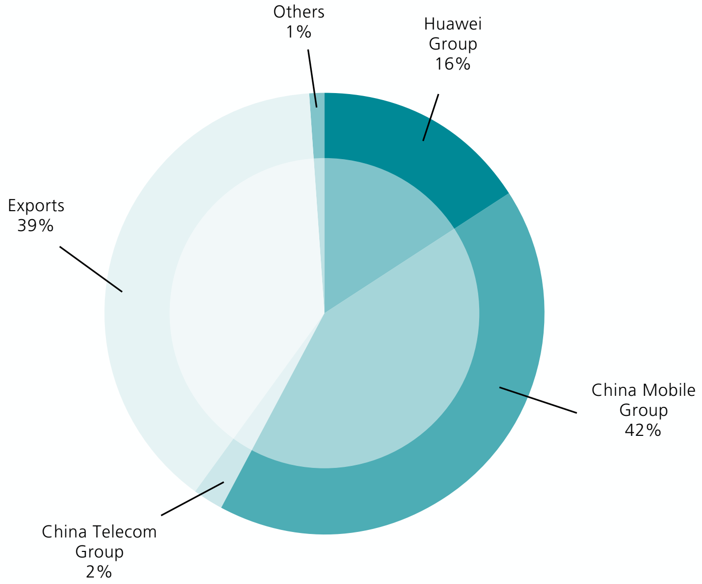


Composite of revenue by major customers for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014, are provided as follows:

For the year ended 31 December 2015 (by major customers)



For the year ended 31 December 2014 (by major customers)



Legend:
China Telecom Group: 中國電信集團公司 (China Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Telecom Group")
China Unicom Group: 中國聯合通信有限公司 (China United Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Unicom Group")
China Mobile Group: 中國移動通信集團公司 (China Mobile Communications Corporation) and its subsidiaries and branch companies (collectively "China Mobile Group")
Huawei Group: 華為技術有限公司 (Huawei Technologies Co., Ltd.) and its subsidiaries and branch companies (collectively "Huawei Group")

Gross Profit

Gross profit of approximately RMB5.82 million was recorded for the year with gross profit margin of approximately 24.9%, representing an increase of over 236% as when comparing to gross profit margin of approximately 7.4% in 2014. Except for concentration on high profitable smart antenna products and network optimisation services during the year, this favourable change was attributable to successful introduction of new source of income from underwater surveillance and related products segment. At the same time, net allowance for inventories in respect of antennas products and related services segment amounted to approximately RMB1.84 million was reversed during the year to enhance gross profit margin.

Other Revenue

Approximately RMB6.89 million was recognised as other revenue for the year, representing slightly increase as when comparing to approximately RMB6.74 million in 2014. Impairment loss on trade receivables, other receivables and prepayments amounted to approximately RMB2.02 million, compared to approximately 2.12 million in 2014, was reversed during the year for recovery from overdue and impaired debts. Gain on debts restructuring in respect of wavier of trade and other payables was accounted for approximately RMB1.84 million for the year, compared to approximately RMB1.58 million in 2014, after negotiations with business parties.

Operating Costs and Expenses

Distribution costs for the year were approximately RMB2.90 million, representing an increase of approximately 41.8% compared to the year of 2014, mainly due to approximately RMB0.82 million incurred for marketing and exhibition costs of new products during the year.

Most of administrative expenses were generally under the cost control strategy on operations during the year. In order to strengthen the administrative staff team in respect of product restructuring, new business development and fund raising, staff costs were increased by approximately RMB3.61 million compared to last year. In respect of new business segments, approximately RMB1.53 million research and development costs were recognised for product development during the year. Approximately RMB3.00 million legal and professional fees were expensed for fund raising activities, properties acquisition and other business operations. Consequently, total administrative expenses were increased to approximately RMB20.15 million, representing an obvious increase by approximately RMB8.66 million or 75.4% compared to the year of 2014, which would have positive impact to the Group's future operations.

Approximately RMB1.64 million of finance costs were paid for bank borrowings during the year, representing a decrease of approximately 29.6% compared to approximately RMB2.33 million in 2014. Bank borrowings were remained at RMB20.00 million throughout the year as additional funds were obtained for operations and development from fund raising activities.

Impairment loss on trade receivables amounted to approximately RMB9.42 million was recognised during the year for those impaired debts ageing more than 3 years of antennas products and related services segment, so that the past due but not impaired trade receivables were less than RMB3.52 million at year end 31 December 2015, compared to more than RMB14.23 million at 31 December 2014. Approximately RMB0.52 million impairment loss was further recognised in respect of other receivables and prepayments during the year but the accumulated impairment of other receivables and prepayments decreased from approximately 29.9% of total other receivables and prepayments at 31 December 2014 to approximately 8.6% at 31 December 2015.

Loss for the year

Even the Group had new source of revenue and improvement in gross profit margin during the year, increase in administrative expenses and further impairment loss on trade receivables had significant effect on the operating results for the year. Consequently, loss attributable to shareholders of approximately RMB21.94 million was reported for the year which represented a decline in operating results of the Group as when comparing to loss of approximately RMB3.62 million in 2014.

PROSPECTS

In 2016, while continuing to reduce follow-up expenditure in common mobile communication antenna market and turn to place more emphasis on high value-added communication businesses including network optimisation and special antenna, the Group will continue to promote product strategy reshuffling and transformation and focus on aerospace products and marine equipment market expansion.

The Company has basically completed the research work of several unmanned aerial vehicles and related aviation electronic imaging and monitoring machines, including large-scale unmanned autogiros applied to aerial seeding in agriculture, forestry, animal Husbandry, insecticide, fertilisation, plant protection, fire-fighting and high-speed unmanned fixed wing aircrafts applied to on-site inspection, surveying and mapping, monitoring, meteorological service and several unmanned products including micro multi-rotor unmanned aircrafts with various applications. The Company has gradually commenced relevant maintenance, inspection and training businesses. In respect of marine equipment, the Group also has launched underwater monitoring, underwater imaging, underwater machinery and other products.

In 2016, the Group will focus on aerospace and marine equipment products, develop relevant unmanned aerial power assembly, automatic control system, unmanned aerial vehicle communication link, polymorphic pod extension device and other core technologies and products, and also energetically commence value-added businesses related to above products including maintenance, inspection and training. Meanwhile, the Group will actively participate in the important domestic and foreign industry exhibitions to further expand its client base and comprehensively open market. It is expected that above new products will record new results with substantial growth in 2016 and will help the Group realise product diversification, complete strategic development target in new products and improve its operation performance.

For the purpose of providing funds required for our diversified operations, apart from general bank borrowings, the Company also intends to utilise other financing channels, such as new share issue, as and when appropriate. The Board and management of the Company will strive to establish the Group as a high-tech enterprise with diversified operations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by cash from banking facilities and borrowings. As at 31 December 2015, the Group had bank borrowings of approximately RMB20.00 million of which all were repayable on demand or within one year. These borrowings were mainly used for the Group's daily operations and to develop underwater surveillance and unmanned aerial businesses.

During the year, all of the Group's interest-bearing borrowings borne interest rate of 7.8% per annum. Majority of borrowings were denominated in RMB during the year. Details of policy in respect of foreign currency risk are disclosed in Note 6 to the consolidated financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

As at 31 December 2015, the Group's gearing ratio was 27.2% (2014: 232.6%), which is calculated based on total interest-bearing borrowings of approximately RMB20.00 million over total shareholders' funds of approximately RMB73.44 million. Cash and cash equivalents increased approximately from RMB1.21 million to RMB30.98 million. The Group's pledged bank deposits were deposited with banks to secure the quality of the products sold to certain customers and were denominated in RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2015, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHARGES ON GROUP ASSETS

As at 31 December 2015, the Group pledged bank deposits of approximately RMB0.01 million for the qualify of products sold to customers.

CONTINGENT LIABILITIES

As at 31 December 2015, except for those disclosed in Note 38 to the consolidated financial statements, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Since majority of the transactions of the Group are denominated in RMB, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review. The Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities. Details of policy in respect of foreign currency risk are disclosed in Note 6 to the consolidated financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had approximately 96 (2014: 43) full-time employees. Total staff costs for the year 2015 amounted to approximately RMB8.45 million (2014: RMB2.89 million), including remuneration of the Directors and members of the supervisory committee (the "Supervisors"). The Group reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group has not granted any share options to the Directors and its employees.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries and available-for-sale investment in unlisted equity security, the Group did not hold any significant investment for the year ended 31 December 2015.

The available-for-sale investment in unlisted equity security was disposed of on 17 March 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2015, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB41.03 million.

Save as disclosed herein the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraph headed "Significant Investment Held" above, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and affiliated companies during the year ended 31 December 2015.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2015, sales to the top five customers and the largest customer accounted for approximately 83.4% (2014: 98.4%) and 28.9% (2014: 42.2%) respectively of the Group's revenue.

For the year ended 31 December 2015, purchases from the top five suppliers and the largest supplier accounted for approximately 68.4% (2014: 82.1%) and 17.7% (2014: 50.7%) respectively of the Group's total purchases.

During the year ended 31 December 2015, each of the top five customers and the top five suppliers is independent of and not connected with any of the Directors, chief executives or any shareholders of the Company which, to the best knowledge of the Directors, own more than 5% of the Shares of the Company, or any of their respective associates.

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of the Company is always committed to maintaining high standards of corporate governance. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 December 2015.

THE BOARD OF DIRECTORS

Composition and function

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the Code, the Board adopted a board diversity policy (the "Board Diversity Policy"). The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

As at 31 December 2015, the Board comprised eleven Directors including Mr. Xiao Bing (chairman) and Mr. Chen Ji as executive Directors, Mr. Sun Wenguo (vice-chairman), Mr. Li Wenqi, Mr. Yan Feng, Mr. Xie Yiqun (vice-chairman) and Mr. Li Peng as non-executive Directors and Mr. Zhang Jun, Ms. Huang Jing and Professor Shi Ping and Mr. Tu Jijun as independent non-executive directors. Biographies of the Directors are set out in the paragraph headed "Directors, Supervisors and Senior Management" of this annual report.

Members of the Board comprise experts from diverse business and professional backgrounds who have served relevant PRC government organisations, listed companies, multinational or other organisations. All of the members of the Board have many years of experience in investment, business operation, financial management and corporate administration. The current composition of the Board is considered to be a reasonable balance between executive and non-executive Directors, and be able to provide adequate checks for safeguarding the interests of shareholders of the Company.

The Board is responsible for overseeing the preparation of accounts of each financial period, which shall give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. It is also responsible for formulating the Group's long-term strategy and supervising the management to ensure thorough implementation of the Group's policies and effective performance of their duties. Also, the Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report. During the financial year ended 31 December 2015, the Board has performed the corporate governance duties set out in the Code.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Board members have no financial, business, family or other material/relevant relationships with each other.

All non-executive Directors are engaged by a service contract for a fixed term for not more than 3 years. All Directors appointed to fill a casual vacancy are subject to re-election by shareholders at the first annual general meeting following their appointment and all Directors are subject to re-appointment or re-election at least once every three years. Composition of the Board, by category of Directors, including names of the Chairman, executive Directors, independent non-executive Directors and non-executive Directors, has been disclosed in all corporate communications.

The Separate Roles of Chairman and Chief Executive Officer

For the financial year ended 31 December 2015, the Company did not have a chief executive officer. The day-to-day management of the Group's business was handled by the executive Directors of the Company collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's present business operations. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Board meetings and attendance

The Board meets at least quarterly and additional Board meetings are held as and when required. Between scheduled meetings, the Directors are provided with information on the activities and development in the businesses of the Group in a timely manner to keep them abreast of the Group's latest developments. During the financial year ended 31 December 2015, the Board held 15 meetings.

Details of Directors' attendance records in 2015:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Xiao Bing	15/15	2/2
Mr. Chen Ji (appointed on 13 April 2015)	9/9	2/2
Mr. Yan Weimin (resigned on 13 April 2015)	6/6	0/0
Non-Executive Directors		
Mr. Sun Wenguo	12/15	1/2
Mr. Li Wenqi	15/15	2/2
Mr. Yan Feng	15/15	0/2
Mr. Xie Yiqun	15/15	2/2
Mr. Li Peng (appointed on 21 August 2015)	4/4	0/0
Independent Non-Executive Directors		
Mr. Zhang Jun	15/15	0/0
Ms. Huang Jing (appointed on 13 February 2015)	13/13	2/2
Professor Shi Ping (appointed on 13 April 2015)	9/9	2/2
Mr. Tu Jijun (appointed on 21 August 2015)	4/4	0/0
Mr. Chen Ji (resigned on 13 April 2015)	6/6	0/0
Ms. Bao Yujie (resigned on 13 February 2015)	1/2	0/0

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by the Directors during the financial year ended 2015 according to the records provided by the Directors is as follows:

	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Xiao Bing	✓
Mr. Chen Ji (appointed on 13 April 2015)	✓
Mr. Yan Weimin (resigned on 13 April 2015)	✓
Non-Executive Directors	
Mr. Sun Wenguo	✓
Mr. Li Wenqi	✓
Mr. Yan Feng	✓
Mr. Xie Yiqun	✓
Mr. Li Peng (appointed on 21 August 2015)	✓
Independent Non-Executive Directors	
Mr. Zhang Jun	✓
Ms. Huang Jing (appointed on 13 February 2015)	✓
Professor Shi Ping (appointed on 13 April 2015)	✓
Mr. Tu Jijun (appointed on 21 August 2015)	✓
Mr. Chen Ji (resigned on 13 April 2015)	✓
Ms. Bao Yujie (resigned on 13 February 2015)	✓

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors.

INDEPENDENCE

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005 and consists of three members, majority of which being independent non-executive Directors. Currently, the Chairman of the committee is Ms. Huang Jing, an independent non-executive Director, and other members include Mr. Sun Wenguo and Professor Shi Ping.

The Remuneration Committee is responsible, among others, to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee has the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management. Remuneration includes benefits in kind, pension rights and compensation payments, basic salary and performance bonus, of the executive Directors and senior management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. The committee ensures that no Director is involved in deciding his own remuneration.

The specific terms of reference of the Remuneration Committee is posted on the Company's website.

The Remuneration Committee held 2 meetings in 2015 and was attended by committee members. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Sun Wenguo	2/2
Independent Non-Executive Directors	
Ms. Huang Jing (appointed on 13 February 2015)	2/2
Professor Shi Ping (appointed on 13 April 2015)	1/1
Mr. Chen Ji (resigned on 13 April 2015)	1/1
Ms. Bao Yujie (resigned on 13 February 2015)	0/0

During the financial year ended 2015, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

The Nomination Committee was established in December 2005 and consists of three members, majority of which being independent non-executive Directors. Currently, the chairman of the committee is Mr. Zhang Jun, an independent non-executive Director, and other members include Mr. Xie Yiqun and Ms. Huang Jing.

The Nomination Committee is responsible for formulating nomination policy, reviewing the structure, size and composition of the Board on a regular basis, implementing Board Diversity Policy and making recommendations to the Board on selection and appointment of Board members. The specific terms of reference of the Nomination Committee is posted on the Company's website.

The Nomination Committee held 3 meetings in 2015 and was attended by committee members for the selection and recommendation of candidates for directorship having regard to the relevance of skills and experience appropriate to the Group's business. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Xie Yiqun	3/3
Independent Non-Executive Directors	
Mr. Zhang Jun	3/3
Ms. Huang Jing (appointed on 13 February 2015)	2/2
Ms. Bao Yujie (resigned on 13 February 2015)	1/1

During the financial year ended 2015, the Nomination Committee has, amongst other things, determined the policy for the nomination of directors and adopted the nomination procedures and the process and criteria under Board Diversity Policy to select and recommend candidates for directorship during the year.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules in April 2003. The Audit Committee is currently chaired by, an independent non-executive Director, Ms. Huang Jing and the other members are Mr. Li Wenqi and Mr. Zhang Jun, with the majority being independent non-executive Directors.

The Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also reviews and discusses matters related to financial reporting, internal control, audit and performs other duties as assigned by the Board, and reports its work, findings and recommendations to the Board after each meeting in respect of the above matters as well as to the operating risks faced by the Group. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2015.

The terms of reference of the Audit Committee is published on the Company's website.

The Audit Committee held 15 meetings in 2015 discussing the Group's annual results for 2014, quarterly results for 2015, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Li Wenqi	15/15
Independent Non-Executive Directors	
Mr. Zhang Jun	15/15
Ms. Huang Jing (appointed on 13 April 2015)	10/10
Mr. Chen Ji (resigned on 13 April 2015)	5/5

During the financial year ended 2015, the Audit Committee has, amongst other things, reviewed the quarterly, half-yearly and annual results of the Company and reviewed internal control matters of the Company.

The Company has complied with Rules 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

AUDITOR'S REMUNERATION

During 2015, the fees paid and payable to external auditor for audit services and other services amounted to RMB530,000 and RMB260,234 respectively.

INTERNAL CONTROL

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The Board will conduct regular review on internal control systems of the Group. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the Audit Committee and the Board also performed quarter review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

COMPANY SECRETARY

The Company has appointed Mr. Lun Ka Chun as its Company Secretary and is responsible for all the secretarial service. Mr. Lun has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Extraordinary general meeting may be convened by the Board on written requisition of shareholders holding 10% (including 10%) or more of the Company's issued and outstanding shares carrying voting rights pursuant to Article 64 of the articles of association of the Company. According to Article 66 of the articles of association of the Company, when the Company convenes an annual general meeting, shareholders holding 5% (including 5%) or more of the total voting shares of the Company, are entitled to propose new motions in writing to the Company and the Company shall place such motions on the agenda for such meeting if they are matters falling with the scope of duties of the general meeting. Shareholders may propose new motions at general meeting of the Company by sending the same to the Company at the registered office and principal place of business in the People's Republic of China of the Company and the principal place of business in Hong Kong of the Company.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the principal place of business in Hong Kong of the Company.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Members of the Board meet and communicate with shareholders at the annual general meeting of the Company. The Chairman proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on day of the annual general meeting.

Our corporate websites which contain corporate information, interim and annual reports, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company.

During the financial year ended 2015, there are following changes in the Company's articles of association:

- Change of Company's Chinese name and adoption of the English name
- Increase of the number of the Directors from nine Directors to eleven Directors
- Increase of the number of the Supervisors from three Supervisors to five Supervisors
- Change in share capital and shareholding structure in respect of new issue of shares and transfers of domestic shares of the Company

Details of changes are more particularly described in the circular of the Company dated 6 July 2015 and 25 November 2015.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xiao Bing (肖兵先生), aged 50, he is a son of Professor Xiao Liangyong, the founder of the Company. Mr. Xiao studied in radio technology under continuous education program of Xidian University* (西安電子科技大學) from 1987 to 1990 and obtained master of business administration from China Europe International Business School in 2006. He worked in Xi'an General Factory of Oil Instruments* (西安石油勘探儀器總廠) from 1988 to 1991 and was the deputy general manager of Xi'an Haitian Communications Equipment Company Limited* (西安海天通訊設備有限公司) from 1999 to 2000. He joined the Group as personal assistance to Chairman since 1999, and was elected as executive Director of the Company and appointed as general manager of the Company since October 2000. Mr. Xiao Bing was the chairman of the Board from August 2004 to November 2007, and was elected as the chairman of the Board since 31 December 2012.

Mr. Chen Ji (陳繼先生), aged 40, obtained Bachelor of Economics from Shanghai University of Finance and Economics* (上海財經大學) in 1997, Bachelor of Laws from East China University of Political Science and Law* (華東政法學院) in 2005, Master of Business Administration from Shanghai University of Finance and Economics in 2008 and Master of Laws from Fudan University* (復旦大學) in 2009. Mr. Chen has extensive experience in finance, internal control and management. Mr. Chen worked for Air China Limited Shanghai Branch Office* (中國國際航空股份有限公司上海基地) as office supervisor from July 1997 to August 2001. Mr. Chen served as senior manager and partner of finance department of Xinzhuo (China) Consulting Co., Ltd.* (信卓（中國）諮詢有限公司金融部) from December 2003 to January 2006. He joined Shanghai Hui Da Feng Law Firm* (上海市滙達豐律師事務所) as paralegal since February 2006 and became lawyer and partner, and was the founder partner of Shanghai Heng Lu Lawyers Alliance (Group) Firm* (上海恒律聯盟律師（集團）事務所) since October 2010. Mr. Chen was vice-chairman of Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司), a company listed on The Shanghai Stock Exchange, for the period from November 2012 to November 2014. Mr. Chen was appointed as director and elected as chairman and chief executive officer of Zhejiang Xinlian Co., Ltd.* (浙江信聯股份有限公司) on 2 March 2015 and 3 March 2015 respectively. Mr. Chen was an independent non-executive Director from 10 August 2012 to 13 April 2015, and was appointed as an executive Director with effect from 13 April 2015.

Non-Executive Directors

Mr. Sun Wenguo (孫文國先生), aged 40, graduated from the Department of International Finance of Xi'an Financial and Economic Institute* (陝西財經學院) in 1998 with a bachelor degree. Mr. Sun previously worked in international section of Industrial and Commercial Bank of China, Dalian Branch* (中國工商銀行大連分行) and Xi'an Gaoxin Hospital Co., Ltd.* (西安高新醫院有限公司). Currently, he holds the office of director and vice president of Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司) which is a promoter and a shareholder of the Company. Mr. Sun was appointed as a non-executive Director since 13 October 2006 and was elected as the vice chairman of the Board.

Mr. Li Wenqi (李文琦先生), aged 50, graduated from Shaanxi College of Finance and Economics* (陝西財經學院, now known as Xi'an Jiaotong University* (西安交通大學)). He worked for Shaanxi Silk Import & Export Corporation* (陝西省絲綢進出口公司), which is one of the promoters of the Company, as the deputy chief of planning and finance department from October 1987 to April 1994, the manager of planning and finance department from April 1994 to October 1997, the assistant to general manager and the manager of planning and finance department from October 1997 to May 2001. He served as the chief accountant and the manager of planning and finance department of Shaanxi Kaisei Group Co., Ltd.* (陝西開成集團有限責任公司) since May 2001, and general manager of Shaanxi Kaisei Group Co., Ltd. since September 2015. Mr. Li joined the Company as a non-executive Director since October 2000.

Mr. Yan Feng (閆鋒先生), aged 42, obtained Master of Economics from Nankai University* (南開大學) in 1998. Mr. Yan Feng worked for Beijing Municipal Public Bureau Education Center* (北京市公用局教育中心) from July 1998 to February 2000. Mr. Yan served as supervisor of business management department, deputy manager of business management department and supervisor of marketing services department of Beijing Gas Group Co., Ltd.* (北京市燃氣集團有限責任公司) from February 2000 to January 2005. He joined Beijing Enterprises Group Company Limited* (北京控股集團有限公司) as senior manager of strategic development department since January 2005 and became deputy manager until June 2010. From June 2010, Mr. Yan assumed manager of investment and development department of Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心) which is a shareholder of the Company. Mr. Yan joined the Company as a non-executive Director since 9 November 2012.

Mr. Xie Yiqun (解益群先生), aged 57, graduated from Northwest University of Politics & Law* (西北政法學院) in 1985 and worked in Xi'an Municipal Bureau of Finance* (西安財政局) until 1988. Since August 1988, Mr. Xie joined Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司) which is a shareholder of the Company. He was appointed as internal assistant manager in 2000 and served as asset management assistant general manager in 2003. Mr. Xie joined the Company as a non-executive Director since 26 March 2010.

Mr. Li Peng (李鵬先生), aged 35, graduated from Northwest University* (西北大學) with a Bachelor of Business Management at in July 2002. Mr. Li was the secretary to Chairman of Zhejiang Beilin Industrial Group Co., Ltd.* (浙江貝林實業集團有限公司) from 2001 to 2002, the deputy general manager of Zhejiang Tongda Communications Construction Group Co., Ltd.* (浙江通達交通建設集團有限公司) from 2002 to 2009, and the chairman of Shaanxi Granfoo Industrial Co., Ltd.* (陝西格蘭浮實業有限公司) from 2009 to 2015. Since 2015, Mr. Li served as general manager of Xi'an Haitian Marine Technologies Co., Ltd.* (西安海天海洋科技有限公司), a wholly-owned subsidiary of the Company. Mr. Li was appointed as a non-executive Director with effect from 21 August 2015.

Independent Non-Executive Directors

Mr. Zhang Jun (張鈞先生), aged 47, worked for Northwest Electrical Authority* (西北電業管理局) after graduation from Nanjing University of Science and Technology* (南京理工大學) in 1990. In 1993, he served as regional sales director and Beijing chief representative of United States Harris Communications Equipment (Shenzhen) Co., Ltd.* (美國哈里斯(深圳)通信設備股份有限公司). In 2000, Mr. Zhang joined Beijing Dijie Communication Equipment Co., Ltd.* (北京地傑通信設備有限公司) as marketing director, general manager of overseas operations and vice president. Since 2011, Mr. Zhang is managing director of Shenzhen Arrow Advanced Technology Co., Ltd.* (深圳愛勞高科技有限公司). Mr. Zhang joined the Company as an independent non-executive Director since 28 June 2013.

Ms. Huang Jing (黃婧女士), aged 31, obtained Bachelor of Laws from Zhejiang Sci-Tech University* (浙江理工大學) in 2006. Ms. Huang worked for Shanghai Florin Investment Management Co., Ltd.* (上海豐瑞投資集團有限公司) as senior manager of legal department from December 2006 to March 2008. Since March 2008, she joined Shanghai Hui Da Feng Law Firm* (上海市匯達豐律師事務所) as paralegal and trainee solicitor and became lawyer and partner. Ms. Huang was securities affairs representative of Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司), a company listed on The Shanghai Stock Exchange, from May 2011 to January 2014. Ms. Huang was appointed as director of Zhejiang Xinlian Co., Ltd.* (浙江信聯股份有限公司) on 2 March 2015. Ms. Huang was an independent Supervisor from 28 June 2013 to 13 February 2015, and was appointed as an independent non-executive Director with effect from 13 February 2015.

Professor Shi Ping (師萍教授), aged 66, holds a doctorate degree and Chinese Certified Public Accountant qualification. Professor Shi served as a professor and doctoral tutor of School of Economics and Management at Northwestern University* (西北大學) since November 1985. The main social positions of Professor Shi include assessor of National Natural Science Foundation of China* (國家自然科學基金), executive director of Accounting Society of Shaanxi Province* (陝西會計學會), vice president of Shaanxi Cost Accounting Researching Association* (陝西成本研究會), advisor of Xi'an Accounting Society* (西安市會計學會), member of Shaanxi Province Senior Accountant (Including Senior Accountant) Assessment Committee* (陝西省高級會計師（含正高級會計師）評委會), member of Shaanxi Province Senior Auditor Assessment Committee* (陝西省高級審計師評委會), member of Shaanxi Province Senior Economist Assessment Committee* (陝西省高級經濟師評委會), independent director of Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司), independent director of Guangyuyuan Chinese Medicine Co., Ltd.* (廣譽遠中藥股份有限公司), and independent director of Xi'an Hongsheng Technology Co., Ltd.* (西安宏盛科技發展股份有限公司). Professor Shi was an independent Supervisor from 11 October 2002 to 28 June 2013, and was appointed as an independent non-executive Director with effect from 13 April 2015.

Mr. Tu Jijun (涂繼軍先生), aged 49, graduated as Bachelor of Engineering from Xidian University* (西安電子科技大學) in July 1986. Since November 1986, Mr. Tu worked at information technology department of Shaanxi Branch of Bank of China* (中國銀行陝西省分行). Mr. Tu was appointed as an independent non-executive Director with effect from 21 August 2015.

SUPERVISORS

Mr. Bai Fubo (白伏波先生), aged 58, possesses the qualification of engineer. In 1981 to 1985, he served consecutively as office secretary and deputy office supervisor of Xi'an Sewing Machine Factory* (西安縫紉機廠). In October 1985 to February 1994, he served as deputy supervisor of technology department of Xi'an First Bureau of the Light Industry* (西安市第一輕工業局). Since March 1994, he worked in Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司) which is a shareholder of the Company and served consecutively as office secretary, deputy supervisor of sales department and manager of trust department. Mr. Bai currently serves as deputy general manager of sales department of Chang'an International Trust Co., Ltd.*. Mr. Bai joined the Company as a shareholder representative Supervisor since 3 June 2008.

Ms. Shen Yi (沈怡女士), aged 38, graduated from Shanghai University of Finance and Economics* (上海財經大學) in June 2005 with a bachelor degree. Ms. Shen obtained the Medium Level Accountant qualification. She earned a Japanese-Language Proficiency Test (JLPT) N2 certification in 2010 and a Chief Financial Officer Qualification Certificate from Shanghai University of Finance and Economics* in October 2012. Ms. Shen has worked for various companies: from 2000 to 2003, she was in charge of the accounting division of Shanghai Yuyuan FC* (上海豫園足球俱樂部); from 2003 to 2006, she served as financial manager of Zhenying (Shanghai) Electronics Trading Company Limited* (振營（上海）電子貿易有限公司); from 2006 to 2007, she was appointed as the chief financial officer of Shanghai Guohong Trading Co. Ltd.* (上海國弘貿易有限公司); from 2007 to 2013, she served as the chief financial officer of Shanghai Yingyue Industrial Co. Ltd.* (上海鷹悅實業有限公司); since January 2014, she has been the deputy officer in the finance department of the Company. Having worked in the financial field for more than 10 years, Ms. Shen has extensive experience in finance and financial management and is well capable of making professional judgments and competent in financial analysis. Ms. Shen was elected as staff Supervisor since 17 April 2014.

Mr. Wang Xiaokun (王曉坤先生), aged 46, graduated from Nanjing University* (南京大學) in 1991 with a bachelor degree majoring in water resources and environmental. Mr. Wang worked as engineer at Shaanxi Provincial Environmental Protection Research Institute* (陝西省環境保護研究所) from 1991 to 1994 and served as deputy general manager in Xi'an Tiancheng Medical Bio-Engineering Co., Ltd.* (西安天誠醫藥生物工程有限公司) from 1994 to 1998. Since 1998, Mr. Wang was appointed as chairman of Xi'an Dadi Phyto Tech Co., Ltd.* (西安大地植化技術有限公司). Mr. Wang was appointed as an independent Supervisor with effect from 30 June 2015.

Mr. Zhang Yi (張毅先生), aged 46, graduated from Accounting Department of Shaanxi Advanced Finance College* (陝西高等財政專科學校) with a Bachelor of Accounting in July 1992, and obtained accountant qualification (intermediate title) in November 1998. Mr. Zhang worked at finance department of Xi'an Tang Cheng Group Co., Ltd.* (西安唐城集團股份有限公司) from August 1992 to January 1996, engaged in supervising work at finance department of Xi'an Kaiyuan Shopping Mall* (西安開元商城購物中心) from January 1996 to January 2003, and worked at finance department and served as head of consolidation team of the Company from January 2003 to March 2010. Since March 2010, Mr. Zhang joined finance department of Shaanxi Feilong Furniture & Decoration Ltd.* (陝西飛龍傢俬裝飾有限公司). Mr. Zhang was appointed as an independent Supervisor with effect from 21 August 2015.

Mr. Xu Hao (徐浩先生), aged 44, graduated from Shaanxi Financial Technological College* (陝西財政專科學校) with a major in finance in July 1994 and obtained accountant qualification. Mr. Xu worked in the finance division of Xi'an State-owned Tractor Factory* (國營西安拖拉機製造廠) from 1994 to 2000, served as finance supervisor of Xi'an Tianhao Plastic Steel Product Limited Liability Company* (西安添好塑鋼製品有限責任公司) from January 2001 to September 2003, and served as project manager of Xi'an Pengguang Tax Agent & Bureau Co., Ltd.* (西安鵬光稅務師稅務所有限責任公司) from October 2003 to February 2005. Mr. Xu has worked in the finance department of the Company since March 2005 and is the head of finance department. Mr. Xu was a staff Supervisor from 18 April 2008 to 17 April 2014, and was appointed as a staff Supervisor again with effect from 11 September 2015.

SENIOR MANAGEMENT

Mr. Wang Yun (王贇先生), aged 35, graduated from School of Economics and Management of Northwest University* (西北大學) majoring in investment and economics in 2002, and obtained a minor diploma from Northwest University* in e-commerce in the same year. In 2009, he obtained a master's degree in engineering in project management from Northwestern Polytechnical University* (西北工業大學). Since joining the Group in September 2002, he has served in the securities department, finance department and administration department as project manager as well as deputy head and head of the administration department. Since 2011, he served as secretary to the Board.

Mr. Zuo Hong (左宏先生), aged 52, graduated from Xidian University* (西安電子科技大學) and obtained the qualification of Senior Engineer in 2005. He had been the instructor of Armed Police Force of Xi'an. He took the position of supervisor and chief technical director of engineering and technology department in Xi'an Huiliaing Electronic Technologies Co., Ltd.* (西安慧良電子科技有限公司) in 1995 and 1997 respectively. Since September 1999, he had been the chairman and general manager of Xi'an Tianditong Communication Development Co., Ltd.* (西安天地通通信發展有限公司). Mr. Zuo was appointed as the general manager of Xi'an Haitian Communication System Engineering Co., Ltd.* (西安海天通信系統工程有限公司), a subsidiary of the Company, in July 2006 and as assistant to the chief executive director of Xi'an Hi-tech Communication Software Co., Ltd.* (西安海泰科通訊軟件有限公司), a subsidiary of the Company, in December 2006. He served as the head of the sales and marketing department of the Company since 2007, and was appointed as general manager of the Company since 31 December 2012. Mr. Zuo was an executive Director for the period from 20 May 2007 to 8 April 2014.

COMPANY SECRETARY

Mr. Lun Ka Chun (倫家俊先生), graduated from the Bachelor of Business Administration in the Chinese University of Hong Kong with membership of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lun had worked in the practice of certified public accountants over 14 years in the field of auditing, taxation and company secretarial role.

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2015, the supervisory committee of the Company (the "Supervisory Committee") thoroughly performed its duties faithfully in accordance with the provisions of the Company Laws of the PRC, GEM Listing Rules and the articles of association (the "Articles") of the Company. Adhering to the principles of safeguarding interests of the Shareholders and benefits of the staff of the Company, the Supervisors attended Board meetings, acquiring first-hand information of the Board's decision on marking important issues and effectively monitoring the Board and senior management of the Company in performing their duties, and providing reasonable recommendation and advice on the operations and development plans of the Company.

The Supervisory Committee considers that:

1. The Company's operation for the year 2015 complied with the relevant laws and regulations of the state and local governments of the PRC and the Articles;

2. The Directors and managers of the Company performed their duties in strict compliance of the relevant rules and regulations for the development of the Company. They carried out their work diligently without violating any laws and regulations or the Articles and had not conducted any activities which were against the interests of the Company;

3. The connected transactions of the Company, which have fully complied with the relevant provisions of the GEM Listing Rules, were fair and reasonable. We have not discovered any act that prejudiced the interests of the Company;

4. The Supervisory Committee's role in monitoring the management was strengthened by attending Board meetings, participating in the decision-making process of the management and reviewing regularly the Company's financial statements and accounts. The Supervisors believe that the financial management of the Company was performed in strict accordance with the relevant accounting principles, that the financial statements and accounts were prepared timely and properly and that no improper disclosures were identified; and

5. The Supervisory Committee has verified the financial information such as the financial and performance reports and was satisfied with the report of the Board, the audited financial statements to be submitted to the forthcoming annual general meeting by the Board of Directors. We are of the opinion that the audited financial statements for the year ended 31 December 2015 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

The Supervisory Committee would like to extend its appreciation to all the shareholders of the Company, the Directors and members of staff for their strong support to the Supervisory Committee's work.

On behalf of the Supervisory Committee

Mr. Xu Hao
Chairman

Xi'an, the PRC
18 March 2016

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in research and development, manufacture and sale of base station antennas and related products, underwater and underground surveillance, imaging, mechanical equipment, and complicated environment warning and surveillance equipment, and agricultural and forestry unmanned aerial vehicles.

The principal activities of its subsidiaries are set out in Note 37 to the consolidated financial statements.

BUSINESS REVIEW

Business review of the Group is set out in the paragraph headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 33 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2015.

DISTRIBUTABLE RESERVES

In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the principles generally accepted in Hong Kong. Based on the financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC, the Company does not have any reserves available for distribution to its equity holders as at 31 December 2015.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2015 is set out on page 92 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB2.92 million on plant and equipment to expand and upgrade its production capacity.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this report were:

Executive Directors:
Mr. Xiao Bing (Chairman)
Mr. Chen Ji (appointed on 13 April 2015)
Mr. Yan Weimin (resigned on 13 April 2015)

Non-Executive Directors:
Mr. Sun Wenguo (Vice-chairman)
Mr. Li Wenqi
Mr. Yan Feng
Mr. Xie Yiqun (Vice-chairman)
Mr. Li Peng (appointed on 21 August 2015)

Independent Non-Executive directors:
Mr. Zhang Jun
Ms. Huang Jing (appointed on 13 February 2015)
Professor Shi Ping (appointed on 13 April 2015)
Mr. Tu Jijun (appointed on 21 August 2015)
Mr. Chen Ji (resigned on 13 April 2015)
Ms. Bao Yujie (resigned on 13 February 2015)

Supervisors:
Mr. Bai Fubo
Ms. Shen Yi
Mr. Wang Xiaokun (appointed on 30 June 2015)
Mr. Zhang Yi (appointed on 21 August 2015)
Mr. Xu Hao (appointed on 11 September 2015)
Ms. Huang Jing (resigned on 13 February 2015)

1. Directors' and Supervisors' Service Contracts

Each of the Directors and the Supervisors has entered into a service contract with the Company for a term valid until 28 June 2016 subject to renewal upon approval by the Shareholders for one or more consecutive terms of three years.

In accordance with the provisions of the Articles of Association, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the PRC Company Law, the term of office of the Supervisors shall also be three years and renewable upon re-appointment or re-election.

Other than as disclosed above, none of the Directors and Supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

2. **Independent non-executive Directors**
   The Board confirmed that the Company received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered that the independent non-executive Directors to be independent.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in domestic shares of the Company ("Domestic Shares")

Name of person	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 3)*
Mr. Xiao Bing (肖兵先生)	Interest in controlled corporation	328,363,637 *(Note 1)*	37.09%	24.38%	22.82%
Mr. Chen Ji (陳繼先生)	Spouse interest	119,693,333 *(Note 2)*	13.52%	8.89%	8.32%

Long positions in H shares of the Company ("H Shares")

Name of person	Capacity	Number of H Shares	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued H Shares *(Note 3)*	Approximate % in enlarged issued Shares *(Note 3)*
Mr. Chen Ji (陳繼先生)	Beneficial owner	51,928,000	11.25%	3.85%	9.38%	3.61%

Notes:

1. 328,363,637 Domestic Shares are held by Xi'an Tian An Investment Co., Ltd.* (西安天安投資有限公司) ("Tian An Investment"), which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by his mother Ms. Yao Wenli. By virtue of the SFO, Mr. Xiao Bing is deemed to be interested in the same 328,363,637 Domestic Shares.

2. 119,693,333 Domestic Shares are held by Shanghai Gaoxiang Investment Management Co., Ltd.* (上海高湘投資管理有限公司) ("Gaoxiang Investment"), which is beneficially owned by the spouse and mother-in-law of Mr. Chen Ji in equal share. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 119,693,333 Domestic Shares.

3. The issued Shares are to be enlarged by the issue and allotment of 92,000,000 H Shares under general mandate (more particularly described in the announcement of the Company dated 21 December 2015). The general mandate was approved by China Securities Regulatory Commission on 2 February 2016 and is subject to approval of the Stock Exchange.

Saved as disclosed above, as at 31 December 2015, none of the Directors, Supervisors and chief executives of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as is known to the Directors, the Supervisors or chief executive of the Company, the following persons/entities (other than the Directors, Supervisors or chief executive of the Company) who/which had, or are deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who/which were or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Domestic Shares

Name of shareholder	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 11)*
Tian An Investment	Beneficial owner	328,363,637 *(Note 1)*	37.09%	24.38%	22.82%
Professor Xiao Liangyong (肖良勇教授)	Parties acting in concert	328,363,637 *(Note 1)*	37.09%	24.38%	22.82%
Ms. Yao Wenli (姚文俐女士)	Interest in controlled corporation	328,363,637 *(Note 1)*	37.09%	24.38%	22.82%
Gaoxiang Investment	Beneficial owner	119,693,333 *(Note 2)*	13.52%	8.89%	8.32%
Ms. Sun Xiangjun (孫湘君女士)	Interest in controlled corporation	119,693,333 *(Note 2)*	13.52%	8.89%	8.32%
Ms. Gao Xuejuan (高雪娟女士)	Interest in controlled corporation	119,693,333 *(Note 2)*	13.52%	8.89%	8.32%
Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司)	Beneficial owner	100,000,000	11.29%	7.42%	6.94%
Shenzhen Huitai Investment Development Co., Ltd.* (深圳市匯泰投資發展有限公司)	Beneficial owner	75,064,706 *(Note 3)*	8.48%	5.57%	5.22%
Mr. Zuo Hong (左宏先生)	Interest in controlled corporation	75,064,706 *(Note 3)*	8.48%	5.57%	5.22%
Ms. Yi Li (易麗女士)	Interest in controlled corporation	75,064,706 *(Note 3)*	8.48%	5.57%	5.22%
Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司)	Beneficial owner	70,151,471 *(Note 4)*	7.92%	5.21%	4.87%
Xi'an Finance Bureau* (西安市財政局)	Interest in controlled corporation	70,151,471 *(Note 4)*	7.92%	5.21%	4.87%

Name of shareholder	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 11)*
Shanghai Zendai Investment Management Co., Ltd.* (上海証大投資管理有限公司)	Interest in controlled corporation	70,151,471 *(Note 4)*	7.92%	5.21%	4.87%
Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司)	Beneficial owner	70,000,000 *(Note 5)*	7.91%	5.20%	4.86%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 *(Note 5)*	7.91%	5.20%	4.86%
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心)	Beneficial owner	54,077,941 *(Note 6)*	6.11%	4.01%	3.76%
Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司)	Interest in controlled corporation	54,077,941 *(Note 6)*	6.11%	4.01%	3.76%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	2.26%	1.48%	1.39%
Hongshi (Shanghai) Investment Consultancy Ltd.* (宏獅(上海)投資諮詢有限公司)	Beneficial owner	18,500,000	2.09%	1.37%	1.29%
Shanghai Maokou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	2.09%	1.37%	1.29%
Mr. Chen Xiao Bin (陳曉繽先生)	Beneficial owner	6,000,000 *(Note 7)*	0.68%	0.45%	0.42%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	4,943,030	0.56%	0.37%	0.34%

Long positions in H shares

Name of shareholder	Capacity	Number of H Shares *(Note 8)*	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued H Shares *(Note 11)*	Approximate % in enlarged issued Shares *(Note 11)*
Ms. Chen Wei (陳瑋女士)	Interest in controlled corporation	122,208,000 *(Note 9)*	26.47%	9.07%	22.07%	8.49%
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	80,000,000 *(Note 9)*	17.33%	5.94%	14.45%	5.56%
Zeal Warrior Investments Limited	Interest in controlled corporation	42,208,000 *(Note 9)*	9.14%	3.13%	7.62%	2.93%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Beneficial owner	42,208,000 *(Note 9)*	9.14%	3.13%	7.62%	2.93%
Mr. Wang Mingyue (王明月先生)	Interest in controlled corporation	60,000,000 *(Note 10)*	12.99%	4.45%	10.83%	4.17%
Sure Rosy Global Investments Limited (順盛環球投資有限公司)	Interest in controlled corporation	60,000,000 *(Note 10)*	12.99%	4.45%	10.83%	4.17%
Auspicious Zone Investments Limited (彩域投資有限公司)	Beneficial owner	60,000,000 (Note 10)	12.99%	4.45%	10.83%	4.17%

Notes:

1. 328,363,637 Domestic Shares are held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by his mother Ms. Yao Wenli. Professor Xiao Liangyong is the father of and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, each of Professor Xiao Liangyong and Ms. Yao Wenli is deemed to be interested in the same 328,363,637 Domestic Shares.

2. 119,693,333 Domestic Shares are held by Gaoxiang Investment, which is beneficially owned by Ms. Sun Xiangjun and Ms. Gao Xuejuan in equal share. By virtue of the SFO, each of Ms. Sun Xiangjun and Ms. Gao Xuejuan is deemed to be interested in the same 119,693,333 Domestic Shares.

3. 75,064,706 Domestic Shares are held by Shenzhen Huitai Investment Development Co., Ltd.* (深圳市匯泰投資發展有限公司), which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Ms. Yi Li is deemed to be interested in the same 75,064,706 Domestic Shares.

4. 70,151,471 Domestic Shares are held by Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司) ("CITI"). By virtue of the SFO, Xi'an Finance Bureau* (西安市財政局) and Shanghai Zendai Investment Management Co., Ltd.* (上海証大投資管理有限公司), which respectively holds more than one third of voting rights of CITI, are deemed to be interested in the same 70,151,471 Domestic Shares. These Domestic Shares are intended to be transferred to Gaoxiang Investment which is subject to approval of the Department of Commerce of Shannxi Province* (陝西省商務廳).

5. 70,000,000 Domestic Shares are held by Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司), which is beneficially owned as to 50% by Mr. Wang Yun. By virtue of the SFO, Mr. Wang Yun is deemed to be interested in the same 70,000,000 Domestic Shares.

6. 54,077,941 Domestic Shares are held by Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心) ("Beijing Holdings"). By virtue of the SFO, Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司), which holds more than one third of voting rights of Beijing Holdings, is deemed to be interested in the same 54,077,941 Domestic Shares.

7. 6,000,000 Domestic Shares are held by Mr. Chen Xiao Bin and intended to be transferred to Mr. Jiao Chengyi which is subject to approval of the Department of Commerce of Shannxi Province* (陝西省商務廳).

8. Details of these shareholders of the Company are based on information as set out in the website of the Stock Exchange. The Company has not been notified by the relevant shareholders and has not received any updated notice pursuant to the SFO from them.

9. 10,208,000 H Shares are held by and 32,000,000 H Shares are to be issued and allotted under general mandate (more particularly described in the announcement of the Company dated 21 December 2015) to Oceanic Bliss Holdings Limited, which is beneficially owned by Zeal Warrior Investments Limited ("Zeal Warrior"). By virtue of the SFO, Zeal Warrior is deemed to be interested in the same 42,208,000 H Shares. Ms. Chen Wei is beneficial owner of Hongkong Jinsheng Enterprise Co., Limited, by which 80,000,000 H Shares are held, and Zeal Warrior. By virtue of the SFO, Ms. Chen Wei is deemed to be interested in the same 122,208,000 H Shares.

10. 60,000,000 H Shares are to be issued and allotted under general mandate (more particularly described in the announcement of the Company dated 21 December 2015) to Auspicious Zone Investments Limited, which is beneficially owned by Sure Rosy Global Investments Limited of which Mr. Wang Mingyue is beneficial owner. By virtue of the SFO, each of Sure Rosy Global Investments Limited and Mr. Wang Mingyue is deemed to be interested in the same 60,000,000 H Shares.

11. The issued Shares are to be enlarged by the issue and allotment of 92,000,000 H Shares under general mandate (more particularly described in the announcement of the Company dated 21 December 2015). The general mandate was approved by China Securities Regulatory Commission on 2 February 2016 and is subject to approval of the Stock Exchange.

Saved as disclosed above, as at 31 December 2015, the Directors, Supervisors and chief executives of the Company were not aware of any other person/entity (other than the Directors, Supervisors or chief executive of the Company) who/which had, or is deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who/which was or is expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or who/which was recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE H SHARES

As 31 December 2015, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

ARRANGEMENTS TO PURCHASE SHARES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of Shares in the Company or any other body corporate, and neither the Directors nor Supervisors, nor chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

CONNECTED TRANSACTION

During the year, the Company has undertaken and/or approved significant and discloseable connected transactions with any connected persons (as defined under the GEM Listing Rules) as follows:

Tian An Investment and Gaoxiang Investment acquired 148,363,637 and 119,693,333 Domestic Shares in the issue of new Domestic Shares pursuant to subscription agreements (more particularly described in the circular of the Company dated 6 July 2015). Tian An Investment is an associate of Mr. Xiao Bing, the Chairman of the Board, an executive Director, a substantial shareholder, and hence a connected person. Gaoxiang Investment is an associate of Mr. Chen Ji, an executive Director, and hence a connected person.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

COMPETING INTERESTS

None of the Directors, the Supervisors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had an interest in any business which competes or may compete, directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

CONTINGENT LIABILITIES

Except as these disclosed in Note 38 to the consolidated financial statements, the Group did not have any material contingent liability as at 31 December 2015.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 10 to 15 of the annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

At least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2015 and as at the date of this report.

CHANGE OF COMPANY NAME

The name of the Company has changed from "Xi'an Haitian Antenna Technologies Co., Ltd.*" to "Xi'an Haitian Antenna Holdings Co., Ltd.*", which was approved by Xi'an State Administration of Industry and Commerce on 23 December 2015 and by the Hong Kong Companies Registry on 18 January 2016.

Details are more particularly described in the announcement of the Company dated 3 February 2016.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company.

On behalf of the Board

Xiao Bing
Chairman

Xi'an, the PRC
18 March 2016

* for identification purpose

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
XI'AN HAITIAN ANTENNA HOLDINGS CO., LTD.
西安海天天綫控股股份有限公司
(Formerly known as Xi'an Haitian Antenna Technologies Co., Ltd.
西安海天天綫科技股份有限公司)
(Established as a joint stock limited company in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Xi'an Haitian Antenna Holdings Co., Ltd. (formerly known as Xi'an Haitian Antenna Technologies Co., Ltd) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 91, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
18 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB	2014 RMB
Revenue	7	**23,337,552**	11,028,978
Cost of sales		**(17,518,031)**	(10,208,060)
Gross profit		**5,819,521**	820,918
Other revenue	8	**6,885,352**	6,742,896
Gain on disposal of asset classified as held for sale	27	**–**	7,558,307
Distribution costs		**(2,903,775)**	(2,047,505)
Administrative expenses		**(20,145,847)**	(11,486,478)
Impairment loss recognised in respect of available-for-sale investment	17	**–**	(305,080)
Impairment loss recognised in respect of trade receivables	20	**(9,422,376)**	(1,383,282)
Impairment loss recognised in respect of other receivables and prepayments	21	**(520,878)**	(408,048)
Finance costs	9	**(1,642,478)**	(2,332,219)
Loss before tax		**(21,930,481)**	(2,840,491)
Income tax expense	10	**(5,565)**	(782,442)
Loss and total comprehensive expense for the year	11	**(21,936,046)**	(3,622,933)
Loss per share – Basic and diluted	14	**(2.34 cents)**	(0.56 cents)

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 RMB	2014 RMB
Non-current assets			
Property, plant and equipment	15	**2,900,585**	235,511
Intangible assets	16	**–**	–
Available-for-sale investment	17	**–**	988,500
		2,900,585	1,224,011
Current assets			
Inventories	19	**3,106,902**	2,435,177
Trade receivables	20	**26,619,878**	95,473,164
Other receivables and prepayments	21	**28,771,453**	5,673,501
Amount due from a related party	22	**26,500,669**	26,500,669
Pledged bank deposits	18	**5,100**	90,429
Bank balances and cash	18	**30,976,946**	1,206,601
		115,980,948	131,379,541
Current liabilities			
Trade payables	24	**12,495,651**	76,235,661
Other payables and accrued charges	25	**12,732,912**	25,928,657
Tax payables		**69,771**	64,206
Amounts due to directors	23	**147,430**	686,827
Bank and other borrowings	26	**20,000,000**	20,000,000
		45,445,764	122,915,351
Net current assets		**70,535,184**	8,464,190
Total assets less current liabilities		**73,435,769**	9,688,201
Non-current liability			
Deferred income	29	**–**	1,123,200
Net assets		**73,435,769**	8,565,001

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	**2015** *RMB*	2014 *RMB*
Capital and reserves			
Share capital	*30*	**134,705,882**	64,705,882
Reserves	*31*	**(61,270,113)**	(56,140,881)
Equity attributable to owners of the Company and total equity		**73,435,769**	8,565,001

The consolidated financial statements on pages 33 to 91 were approved and authorised for issue by the board of directors on 18 March 2016 and are signed on its behalf by:

Xiao Bing
Director

Chen Ji
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital *RMB*	Share premium *RMB*	Statutory surplus reserve *RMB* (Note 31 (a))	Other Reserve *RMB* (Note 31 (c))	Accumulated losses *RMB*	Total *RMB*
At 1 January 2014	64,705,882	71,228,946	16,153,228	15,856,279	(155,756,401)	12,187,934
Loss and total comprehensive expense for the year	–	–	–	–	(3,622,933)	(3,622,933)
At 31 December 2014	64,705,882	71,228,946	16,153,228	15,856,279	(159,379,334)	8,565,001
Loss and total comprehensive expense for the year	–	–	–	–	(21,936,046)	(21,936,046)
Shares issued	70,000,000	16,806,814	–	–	–	86,806,814
At 31 December 2015	**134,705,882**	**88,035,760**	**16,153,228**	**15,856,279**	**(181,315,380)**	**73,435,769**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015	2014
	RMB	*RMB*
OPERATING ACTIVITIES		
Loss before tax	**(21,930,481)**	(2,840,491)
Adjustments for:		
Allowance for inventories	**1,257,817**	3,923,928
Reversal of allowance for inventories	**(3,077,624)**	–
Depreciation of property, plant and equipment	**247,704**	14,846
Finance costs	**1,642,478**	2,332,219
Government grants	**–**	(122,900)
Government grants amortised	**(1,123,200)**	(2,547,900)
Gain on disposal of asset classified as held for sale	**–**	(7,558,307)
Loss on disposal of property, plant and equipment	**6,699**	–
Impairment loss recognised in respect of available-for-sale investment	**–**	305,080
Impairment loss recognised in respect of trade receivables	**9,422,376**	1,383,282
Impairment loss reversed in respect of trade receivables	**(1,780,628)**	(915,664)
Impairment loss recognised in respect of other receivables and prepayments	**520,878**	408,048
Impairment loss reversed in respect of other receivables and prepayments	**(242,871)**	(1,204,127)
Interest income	**(43,544)**	(290,919)
Waiver of trade payables	**(1,163,455)**	(1,055,668)
Waiver of other payables	**(679,921)**	(520,175)
Operating cash flows before movements in working capital	**(16,943,772)**	(8,688,748)
Decrease in inventories	**1,148,082**	32,046,173
Decrease (increase) in trade receivables	**61,211,538**	(57,992,897)
(Increase) decrease in other receivables and prepayments	**(23,187,459)**	591,986
(Decrease) increase in trade payables	**(62,576,555)**	34,856,101
(Decrease) increase in other payables and accrued charges	**(12,515,824)**	5,746,783
Cash (used in) generated from operating activities	**(52,863,990)**	6,559,398
Income tax paid	**–**	(40,846)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(52,863,990)**	6,518,552

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 *RMB*	2014 *RMB*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,919,477)**	(137,434)
Repayment to directors	**(539,397)**	(5,084,737)
Repayment from a director	**–**	1,113,273
Interest received	**43,544**	290,919
Withdrawal of pledged bank deposits	**85,329**	25,000,000
Proceeds from disposal of available-for-sale investment	**800,000**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(2,530,001)**	21,182,021
FINANCING ACTIVITIES		
Issue of share capital	**86,806,814**	–
Government grants received	**–**	122,900
Repayment of bank and other borrowings	**–**	(126,155,278)
New bank and other borrowings raised	**–**	101,976,288
Repayment to a related party	**–**	(1,562,249)
Interest paid	**(1,642,478)**	(2,332,219)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**85,164,336**	(27,950,558)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**29,770,345**	(249,985)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**1,206,601**	1,456,586
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**30,976,946**	1,206,601

1. GENERAL

Xi'an Haitian Antenna Holdings Co., Ltd. (formerly known as Xi'an Haitian Antenna Technologies Co., Ltd.) (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC") and the H shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are research and development, manufacture and sale of base station antennas and related products, underwater and underground surveillance, imaging, mechanical equipment, and complicated environment warning and surveillance equipment, and agricultural and forestry unmanned aerial vehicles. Details of the principal activities of the subsidiaries are disclosed in Note 37.

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

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

Annual Improvements to HKFRSs 2010-2012 Cycle *(Continued)*

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

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

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The directors of the Company consider that the application of the amendments to HKAS 19 has had no material impact in the Group's consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 (2014) Financial Instruments *(Continued)*

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may not have significant impact on existing classification in respect of the Group's financial assets and financial liabilities. However, the future business development is unforeseeable and the impact on the Group's financial assets and financial liabilities is uncertain. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvement to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define bearer plants. Biological assets that meet the definition of bearer plants are no longer accounted for under HKAS 41, but under HKAS 16 instead. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The amendments to HKAS 16 and HKAS 41 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Group does not have any biological assets, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

i) at cost;

ii) in accordance with HKFRS 9 (or HKAS 39); or

iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Company does not have any investment in associates or joint ventures and will continue to account for its subsidiaries at cost, the directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Company's financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments to HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in HKFRS 3 Business Combination. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

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

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations *(Continued)*

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business, net of discounts, sales related taxes, estimated customer returns, rates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as other payables and accrued charges in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure *(Continued)*

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generated unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generated unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sales financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a related party, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the range of credit period of 5 days to 240 days (2014: 5 to 240 days), observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in equity.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges, amounts due to directors and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value measurement

When measuring fair value except for the Group's net realisable value of inventories and value in use of property, plant and equipment and intangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets and liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

As of 31 December 2015, the carrying amount of property, plant and equipment of the Group was RMB2,900,585 (2014: RMB235,511).

Estimated impairment loss of available-for-sale investment

The management assessed the recoverable amount of the available-for-sale investment based on the sale consideration for the disposal of such investment which is completed as stipulated in the related agreement and no impairment loss has been recognised in the profit or loss during the year ended 31 December 2015 (2014: RMB305,080).

Allowance for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items that are identified as not suitable for sales. The management reviews the inventory ageing list on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with respective net realisable value. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. As at 31 December 2015, the carrying amount of inventories was RMB3,106,902 (2014: RMB2,435,177), net of allowance for inventories of RMB8,667,092 (2014: RMB18,260,078).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of trade receivables, other receivables and prepayments and amount due from a related party

The policy for making impairment loss on trade receivables and other receivables and prepayments of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. In addition, management will consider the availability and coverage of financial undertaking, guarantee or collateral to secure the outstanding balance. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 December 2015, the carrying amount of the trade receivables was RMB26,619,878 (2014: RMB95,473,164), net of allowance for doubtful debts of RMB33,307,891 (2014: RMB25,666,143). While the carrying amount of other receivables and prepayments are RMB28,771,453 (2014: RMB5,673,501), net of allowance for doubtful debts of RMB2,700,777 (2014: RMB2,422,770).

Estimated impairment of property, plant and equipment

Property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the value-in-use. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the relevant cash generating unit and a suitable discount rate is used in order to calculate the present value.

As of 31 December 2015, the carrying amount of property, plant and equipment of the Group was RMB2,900,585 (2014: RMB235,511). No impairment has been made during the years ended 31 December 2015 and 2014.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings as disclosed in Note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2015 RMB	2014 RMB
Financial assets		
Available-for-sale investment	–	988,500
Loan and receivables (including cash and cash equivalents)	87,491,986	127,876,923
Financial liabilities		
Amortised cost	40,451,155	114,811,159

b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade receivables, other receivables, amount due from a related party, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges, amounts due to directors and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

i) Foreign currency risk

The Company and several subsidiaries of the Company had foreign currency sales in previous years, which expose the Group to foreign currency risk. All of the Group's sales is denominated in RMB in 2015 (2014: approximately 37% is denominated in United States Dollars ("USD")), whilst its operating costs and cost of sales are almost denominated in RMB. Certain bank balances, trade receivables, trade payables and bank borrowings of the Group are denominated in currencies other than the group entity's functional currency. Such bank balances, trade receivables, trade payables and bank borrowings are exposed to fluctuations in the value of RMB against the relevant currencies in which these bank balances, trade receivables, trade payables and bank borrowings are denominated. Any significant appreciation/depreciation of the RMB against these foreign currencies may result in significant exchange gain/loss which would be recorded in the consolidated statement of profit or loss and other comprehensive income.

	Assets		Liabilities	
	2015 RMB	2014 RMB	2015 RMB	2014 RMB
HKD	2	722	–	–
USD	12,270,376	76,365,422	–	64,628,293

6. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

i) Foreign currency risk (Continued)

Sensitivity analysis

The Group's currency risk is mainly exposed to USD and Hong Kong Dollars ("HKD").

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in RMB against USD and HKD for the year ended 31 December 2015. 5% (2014: 5%) is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax loss for the year where RMB strengthen 5% (2014: 5%) against the relevant currency. For a 5% (2014: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss after tax for the year.

	HKD		**USD**	
	2015	2014	**2015**	2014
	RMB	*RMB*	***RMB***	*RMB*
Loss after tax	**–**	27	**460,139**	440,142

ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 26). The Group did not have an interest rate hedging policy. However, the management monitored interest rate exposure and considered other necessary action when significant interest rate exposure was anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see Note 18 for details of these bank deposits and balances) carried at prevailing market rate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would increase/decrease by RMB128,945 (2014: increase/decrease by RMB5,093). This is mainly attributable to the Group's exposure to interest rates on its bank and other borrowings, bank balance and cash.

6. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

The Group's exposures to interest rates on financial liabilities were detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk was mainly concentrated on the fluctuation of RMB base deposit rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank deposits and balances.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arisen from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

With respect to credit risk arising from amount due from a related party, the Group's exposure to credit risk arising from default of the counterparties is limited as the counterparties have a good history of repayment. The Group does not expect to incur a significant loss for uncollectable amounts due from these parties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 38% (2014: 63%) and 80% (2014: 94%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC and Asia excluding the PRC, which accounted for 77% (2014: 36%) and 23% (2014: 64%) of the total trade receivables as at 31 December 2015 respectively.

6. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Liquidity tables

At 31 December 2015

	On demand or within one year and total undiscounted cash flows *RMB*	Carrying amount at 31 December 2015 *RMB*
Non-derivative financial liabilities		
Trade payables	12,495,651	12,495,651
Other payables and accrued charges	7,808,074	7,808,074
Amounts due to directors	147,430	147,430
Bank and other borrowings	20,632,548	20,000,000
	41,083,703	40,451,155

6. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

At 31 December 2014

	On demand or within one year and total undiscounted cash flows *RMB*	Carrying amount at 31 December 2014 *RMB*
Non-derivative financial liabilities		
Trade payables	76,235,661	76,235,661
Other payables and accrued charges	17,888,671	17,888,671
Amounts due to directors	686,827	686,827
Bank and other borrowings	20,542,795	20,000,000
	115,353,954	114,811,159

c) Fair value

The fair value of financial assets other than available-for-sale investment (Note 17) and financial liabilities is determined in accordance with generally accepted pricing models based on discounting cash flow analysis.

The directors of the Company considered that fair values of non-current pledged bank deposits approximate their carrying amount due to the discounting effect is not significant.

The directors of the Company consider that the fair values of other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their carrying amounts due to short-term maturities.

7. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The executive directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

Specifically the Group's reportable are as follows:

– Sales of antennas products and related services;

– Sales of underwater surveillance and related products; and

– Sales of unmanned aerial products

The Group was organised into a single operating segment as sales of antennas products and rendering related services in 2014. Whereas, the Group established new subsidiaries and diversified its operations during the year. Accordingly, three reportable segments which are antennas products, underwater surveillance products and unmanned aerial products are presented in 2015.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2015

	Sales of antennas products and related services *RMB*	Sales of underwater surveillance and related products *RMB*	Sales of unmanned aerial products *RMB*	Total *RMB*
REVENUE				
External sales	13,496,935	9,840,617	–	23,337,552
Segment loss	(2,288,940)	(1,671,988)	(34,486)	(3,995,414)
Unallocated income				3,738,655
Unallocated expenses				(20,031,244)
Finance costs				(1,642,478)
Loss before tax				(21,930,481)

For the year ended 31 December 2014

	Sales of antennas products and related services *RMB*	Total *RMB*
REVENUE		
External sales	11,028,978	11,028,978
Segment loss	(2,840,491)	(2,840,491)
Unallocated income		–
Unallocated expenses		–
Finance costs		–
Loss before tax		(2,840,491)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/loss represents the profit earned/loss from by each segment without allocation of central administration costs, directors' salaries, interest income and finance costs. This is the measure reported to the executive directors with respect to the resource allocation and performance assessment.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2015	2014
	RMB	*RMB*
Sales of antennas products and related services	**37,749,323**	132,603,552
Sales of underwater surveillance and related products	**17,067,656**	–
Sales of unmanned aerial products	**6,586,939**	–
Total segment assets	**61,403,918**	132,603,552
Unallocated assets	**57,477,615**	–
Consolidated total assets	**118,881,533**	132,603,552

Segment liabilities

	2015	2014
	RMB	*RMB*
Sales of antennas products and related services	**19,661,861**	124,038,551
Sales of underwater surveillance and related products	**5,411,483**	–
Sales of unmanned aerial products	**52,649**	–
Total segment liabilities	**25,125,993**	124,038,551
Unallocated liabilities	**20,319,771**	–
Consolidated total liabilities	**45,445,764**	124,038,551

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segments other than bank balances and cash and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

– all liabilities are allocated to operating segments other than tax payables, bank and other borrowings and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2015

	Sales of antennas products and related services *RMB*	Sales of underwater surveillance and related products *RMB*	Sales of unmanned aerial products *RMB*	Unallocated *RMB*	Total *RMB*
Amounts included in the measure of segment profit or loss for segment assets:					
Additions to non-current assets	801,499	1,873,363	244,615	–	2,919,477
Depreciation of property, plant and equipment	(236,872)	(10,416)	(416)	–	(247,704)
Impairment losses recognised in respect of trade receivables	(9,422,376)	–	–	–	(9,422,376)
Impairment loss recognised in respect of other receivables and prepayments	(520,878)	–	–	–	(520,878)
Impairment loss recognised in respect of inventories	(1,257,817)	–	–	–	(1,257,817)
Reversal of allowance for inventories	3,077,624	–	–	–	3,077,624
Loss on disposal of property, plant and equipment	(6,699)	–	–	–	(6,699)
Impairment loss reversed in respect of trade receivables	1,780,628	–	–	–	1,780,628
Impairment loss reversed in respect of other receivables and prepayments	242,871	–	–	–	242,871
Amortisation of government grants received	1,123,200	–	–	–	1,123,200
Amounts regularly provided to the executive directors but not included in the measure of segment profit or loss or segment assets:					
Interest income	–	–	–	43,544	43,544
Finance costs	–	–	–	(1,642,478)	(1,642,478)
Income tax expenses	–	–	–	(5,565)	(5,565)

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2014

	Sales of antennas products and related services *RMB*	Unallocated *RMB*	Total *RMB*
Amounts included in the measure of segment profit or loss for segment assets:			
Additions to non-current assets	137,434	–	137,434
Depreciation of property, plant and equipment	(14,846)	–	(14,846)
Impairment losses recognised in respect of trade receivables	(1,383,282)	–	(1,383,282)
Impairment loss recognised in respect of other receivables and prepayments	(408,048)	–	(408,048)
Impairment loss recognised in respect of inventories	(3,923,928)	–	(3,923,928)
Impairment loss reversed in respect of trade receivables	915,664	–	915,664
Impairment loss reversed in respect of other receivables and prepayments	1,204,127	–	1,204,127
Amortisation of government grants received	2,547,900	–	2,547,900
Amounts regularly provided to the executive directors but not included in the measure of segment profit or loss or segment assets:			
Interest income	290,919	–	290,919
Finance costs	(2,332,219)	–	(2,332,219)
Income tax expenses	(782,442)	–	(782,442)

Geographical information

The Group's operations are located in the PRC and Asia excluding the PRC.

The Group's revenue from external customers is presented based on the location of the operations and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2015 ***RMB***	2014 *RMB*	**2015** ***RMB***	2014 *RMB*
The PRC (country of domicile)	**23,283,337**	6,765,390	**2,900,585**	235,511
Asia excluding the PRC	**–**	4,263,588	**–**	–
Others	**54,215**	–	**–**	–
	23,337,552	11,028,978	**2,900,585**	235,511

All non-current assets are allocated to operating segments other than available-for-sale investment.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2015 *RMB*	2014 *RMB*
Customer A	6,735,043	N/A[1]
Customer B	4,883,903	4,659,065
Customer C	3,191,433	N/A[1]
Customer D	2,564,103	N/A[1]
Customer E	N/A[1]	4,064,943
Customer F	N/A[1]	1,750,075

All revenue generated from the major customers related to the sale of antennas products and related services, except for Customer A and Customer D which were related to sales of underwater surveillance and related products.

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER REVENUE

	2015 *RMB*	2014 *RMB*
Government grants *(Note)*	–	122,900
Government grants amortised *(Note 29)*	1,123,200	2,547,900
Impairment loss reversed in respect of trade receivables *(Note 20)*	1,780,628	915,664
Impairment loss reversed in respect of other receivables and prepayments *(Note 21)*	242,871	1,204,127
Waiver of trade payables	1,163,455	1,055,668
Waiver of other payables	679,921	520,175
Interest income	43,544	290,919
Net exchange gain	1,291,129	–
Testing service income	395,338	–
Others	165,266	85,543
	6,885,352	6,742,896

Note:

Government grants were received from several local government authorities for the Group's contribution to local economies, of which there are no unfulfilled conditions or contingencies relating to those grants.

9. FINANCE COSTS

	2015 *RMB*	2014 *RMB*
Interests on bank and other borrowings	1,642,478	2,332,219

10. INCOME TAX EXPENSE

	2015 *RMB*	2014 *RMB*
Current tax:		
Hong Kong Profits Tax	–	55,693
Under-provision in prior years:		
Hong Kong Profits Tax	–	8,513
PRC Enterprise Income Tax	5,565	718,236
	5,565	726,749
Deferred taxation *(Note 28)*	–	–
	5,565	782,442

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2015 as there was no assessable profit for the year. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2014.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The tax expense for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 *RMB*	2014 *RMB*
Loss before tax	(21,930,481)	(2,840,491)
Tax at the domestic income tax rate of 25% (2014: 25%)	(5,482,620)	(710,122)
Tax effect of expenses not deductible for tax purpose	282,652	502,689
Tax effect of income not taxable for tax purpose	(1)	(9)
Tax effect on tax losses not recognised	3,915,630	711,982
Tax effect of deductible temporary differences not recognised	1,639,288	898,866
Utilisation of tax loss previously not recognised	(381,192)	(1,319,025)
Effect of different tax rate of a subsidiary operating in other jurisdiction	26,243	(28,688)
Under-provision in prior years	5,565	726,749
Income tax expense	5,565	782,442

Details of the deferred taxation are set out in Note 28.

11. LOSS FOR THE YEAR

	2015 RMB	2014 RMB
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**247,704**	14,846
Auditor's remuneration		
– audit services	**530,000**	480,000
– other services	**260,234**	60,000
Amount of inventories recognised as an expense	**9,548,985**	3,852,419
Staff costs		
– Directors' and supervisors' remuneration *(Note 12)*	**1,666,080**	388,425
– Salaries, wages and other benefits	**5,875,846**	2,156,295
– Retirement benefit scheme contributions (excluding directors and supervisors)	**908,957**	345,172
Total staff costs	**8,450,883**	2,889,892
Loss on written-off of property, plant and equipment	**6,699**	–
Allowance for inventories (included in cost of sales)	**1,257,817**	3,923,928
Reversal of allowance for inventories (included in cost of sales)	**(3,077,624)**	–
Exchange difference, net	**(1,291,129)**	783,724
Minimum lease payments under operating leases	**956,929**	762,341
Research and development costs recognised as an expense	**1,528,019**	67,972

12. DIRECTORS', SUPERVISORS', SENIOR MANAGEMENTS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the fourteen (2014: eleven) directors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Executive directors								
Xiao Bing	–	–	425,258	122,425	37,035	32,676	462,293	155,101
Chen Ji (Appointed on 13 April 2015)	–	–	381,818	–	–	–	381,818	–
Yan Weimin (Resigned on 13 April 2015)	–	–	37,367	75,006	–	–	37,367	75,006
Zuo Hong (Resigned on 8 April 2014)	–	–	–	32,400	–	4,878	–	37,278
Non-executive directors								
Li Wenqi	–	–	6,000	6,000	–	–	6,000	6,000
Sun Wenguo	–	–	6,000	6,000	–	–	6,000	6,000
Xie Yiqun	–	–	6,000	6,000	–	–	6,000	6,000
Yan Feng	–	–	6,000	6,000	–	–	6,000	6,000
Li Peng (Appointed on 21 August 2015)	–	–	418,518	–	3,495	–	422,013	–
Independent non-executive directors								
Zhang Jun	–	–	12,000	12,000	–	–	12,000	12,000
Chen Ji (Resigned on 13 April 2015)	–	–	3,000	12,000	–	–	3,000	12,000
Bao Yujie (Resigned on 13 February 2015)	–	–	2,000	9,000	–	–	2,000	9,000
Huang Jing (Appointed on 13 February 2015)	–	–	12,000	–	–	–	12,000	–
Shi Ping (Appointed on 13 April 2015)	–	–	9,000	–	–	–	9,000	–
Tu Jijun (Appointed on 21 August 2015)	–	–	4,000	–	–	–	4,000	–
Total	–	–	1,328,961	286,831	40,530	37,554	1,369,491	324,385

The amounts disclosed above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking. No emoluments were paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

For the year ended 31 December 2014, one of the directors of the Company who named Qiang Wenyu (resigned on 8 April 2014), waived his emolument of RMB3,000.

12. DIRECTORS', SUPERVISORS', SENIOR MANAGEMENTS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Supervisors' remunerations

The emoluments paid or payable to each of the five (2014: four) supervisors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Supervisors								
Bai Fubo	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Huang Jing (Resigned on 13 February 2015)	**–**	–	**–**	12,000	**–**	–	**–**	12,000
Shen Yi	**–**	–	**40,000**	27,000	**–**	–	**40,000**	27,000
Xu Hao (Resigned on 17 April 2014, reappointed on 11 September 2015)	**–**	–	**216,203**	15,580	**24,386**	3,460	**240,589**	19,040
Zhang Yi (Appointed on 21 August 2015)	**–**	–	**4,000**	–	**–**	–	**4,000**	–
Wang Xiaokun (Appointed on 30 June 2015)	**–**	–	**6,000**	–	**–**	–	**6,000**	–
Total	**–**	–	**272,203**	60,580	**24,386**	3,460	**296,589**	64,040

No emoluments have been paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group, or as compensation for loss of office in any of the two years ended 31 December 2015 and 2014.

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2014: one) were directors of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining two (2014: four) individuals were as follows:

	2015	2014
	RMB	*RMB*
Salaries and other benefits	**841,425**	631,030
Retirement benefit scheme contributions	**32,650**	75,603
	874,075	706,633

12. DIRECTORS', SUPERVISORS', SENIOR MANAGEMENTS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Five highest paid employees *(Continued)*

Their emoluments were within the following band:

	2015 Number of employees	2014 Number of employees
Nil to HK$1,000,000 (equivalent to RMB834,653 (2014: equivalent to RMB793,235))	2	4

Senior management's remuneration:

Other than the emoluments of directors and the supervisors disclosed in above, the emoluments of the senior management whose profiles are set out in the section headed "Directors, Supervisors and Senior Management" of the annual report fell within the following band:

	2015 Number of employees	2014 Number of employees
Nil to HK$1,000,000 (equivalent to RMB834,653 (2014: equivalent to RMB793,235))	2	1

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office in any of the two years ended 31 December 2015 and 2014.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

14. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of RMB21,936,046 (2014: RMB3,622,933) and the weighted average number of 938,209,509 (2014: 647,058,824) ordinary shares in issue during the year.

The diluted loss per share is equal to the basic loss per share as calculated above as the Company does not have any potential shares outstanding for the two years ended 31 December 2015 and 2014.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicle RMB	Plant and machinery RMB	Furniture, fixtures and equipment RMB	Construction in progress RMB	Total RMB
COST					
At 1 January 2014	–	4,447,349	2,821,941	–	7,269,290
Additions	–	–	137,434	–	137,434
Written-off	–	–	(60,000)	–	(60,000)
At 31 December 2014	–	4,447,349	2,899,375	–	7,346,724
Additions	667,145	405,571	72,448	1,774,313	2,919,477
Written-off	–	(31,589)	–	–	(31,589)
At 31 December 2015	667,145	4,821,331	2,971,823	1,774,313	10,234,612
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2014	–	4,413,340	2,743,027	–	7,156,367
Provided for the year	–	3,401	11,445	–	14,846
Eliminated on written-off	–	–	(60,000)	–	(60,000)
At 31 December 2014	–	4,416,741	2,694,472	–	7,111,213
Provided for the year	34,848	155,012	57,844	–	247,704
Eliminated on written-off	–	(24,890)	–	–	(24,890)
At 31 December 2015	34,848	4,546,863	2,752,316	–	7,334,027
CARRYING VALUES					
At 31 December 2015	632,297	274,468	219,507	1,774,313	2,900,585
At 31 December 2014	–	30,608	204,903	–	235,511

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, after taking into account of their estimated residual values, over their estimated useful lives as follows:

Motor Vehicles	5 years
Plant and machinery	3 - 10 years
Furniture, fixtures and equipment	5 years

16. INTANGIBLE ASSETS

	Development costs	Technological know-how	Total
	RMB	*RMB*	*RMB*
COST			
At 1 January 2014, 31 December 2014 and 2015	62,385,900	10,000,000	72,385,900
AMORTISATION AND IMPAIRMENT			
At 1 January 2014, 31 December 2014 and 2015	62,385,900	10,000,000	72,385,900
CARRYING VALUES			
At 31 December 2014 and 2015	–	–	–

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Development costs	5 years
Technological know-how	10 years

17. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2015	2014
	RMB	*RMB*
Unlisted investment in equity security	–	1,293,580
Less: impairment loss recognised	–	(305,080)
	–	988,500

The above unlisted equity investment represents investment in unlisted equity security issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

On 17 March 2015, the Group disposed of the unlisted equity security at a consideration of RMB988,500 with carrying amount of RMB988,500, which had been carried at cost less impairment before disposal.

18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represented deposits pledged to banks to secure the quality of the products sold to certain customers. The deposits amounting to RMB5,100 (2014: RMB90,429) have been pledged to secure the quality of the products sold to certain customers which will be expired within one year (2014: within 6 months) and are therefore classified as current assets (2014: current assets). The pledged bank deposits will be released upon the expiry of the pledged agreements signed with bank.

Bank balances and pledged bank deposits carry interest at prevailing market rates for both years.

The Group's bank balances and cash that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2015	2014
	RMB	*RMB*
HKD	**2**	722
USD	**286,381**	327,678

19. INVENTORIES

	2015	2014
	RMB	*RMB*
Raw materials	**1,934,770**	–
Work-in-progress	**130,730**	178,005
Finished goods	**1,041,402**	2,257,172
	3,106,902	2,435,177

During the year ended 31 December 2015, a reversal of allowance for inventories of RMB3,077,624 (2014: nil) has been recognised as the corresponding inventories were either sold or used.

20. TRADE RECEIVABLES

	2015	2014
	RMB	*RMB*
Trade receivables	**59,927,769**	121,139,307
Less: impairment loss recognised	**(33,307,891)**	(25,666,143)
	26,619,878	95,473,164

In general, the Group allows a credit period ranging from 5 to 240 days (2014: 5 to 240 days) to its trade customers. For receivables from certain customers, the amounts are settled by installments which are mutually determined and agreed by the relevant parties. The Group does not hold any collateral over these balances.

20. TRADE RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables net of impairment loss recognised presented based on the invoice date or goods delivery dates, which approximate the respective revenue recognition dates, at the end of the reporting period.

	2015	2014
	RMB	*RMB*
Within 60 days	**9,490,425**	4,208,559
61 to 120 days	**2,396,247**	439,268
121 to 180 days	**161,650**	46,243,177
181 to 365 days	**14,226**	31,104,602
Over 365 days	**14,557,330**	13,477,558
	26,619,878	95,473,164

Included in the Group's trade receivable balance are trade receivables with aggregate carrying amount of RMB3,519,835 (2014: RMB14,230,364) which are past due as at the reporting date for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	2015	2014
	RMB	*RMB*
Within 60 days	**48,126**	685,914
61 to 120 days	**89,097**	66,892
121 to 180 days	**–**	29,406
181 to 365 days	**440,807**	264,203
1 to 2 years	**1,779,421**	2,499,888
Over 2 years	**1,162,384**	10,684,061
Total	**3,519,835**	14,230,364

Receivables that were past due but not impaired related to a number of customers that are the major telecommunication services providers in the PRC and have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. TRADE RECEIVABLES *(Continued)*

At the end of each reporting period, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the impairment of trade receivables is as follows:

	2015	2014
	RMB	*RMB*
At 1 January	**25,666,143**	27,041,136
Impairment loss recognised	**9,422,376**	1,383,282
Amounts written off as uncollectible	**–**	(1,842,611)
Reversal of impairment loss recognised in previous years	**(1,780,628)**	(915,664)
At 31 December	**33,307,891**	25,666,143

Receivables of RMB23,100,043 (2014: RMB81,242,800) that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

The Group's trade receivables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2015	2014
	RMB	*RMB*
USD	**11,984,082**	76,037,744

21. OTHER RECEIVABLES AND PREPAYMENTS

	2015	2014
	RMB	*RMB*
Other receivables	**5,611,321**	6,454,686
Prepayments	**25,860,909**	1,641,585
	31,472,230	8,096,271
Less: impairment loss recognised	**(2,700,777)**	(2,422,770)
	28,771,453	5,673,501

Included in other receivables and prepayments is an amount of RMB3,334,941 (2014: RMB2,510,931) in respect of advances to employees. The advances are interest-free, unsecured and repayable on demand.

21. OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

At the end of the reporting period, the Group's other receivables and prepayments were individually determined to be impaired. The individually impaired receivables are recognised based on credit history of its debtors and current business relationship. The Group does not hold any collateral over these balances. The movement in the impairment of other receivables and prepayments is as follows:

	2015 RMB	2014 RMB
At 1 January	**2,422,770**	4,518,468
Impairment loss recognised	**520,878**	408,048
Amounts written off as uncollectible	**–**	(1,299,619)
Reversal of impairment loss recognised in previous years	**(242,871)**	(1,204,127)
At 31 December	**2,700,777**	2,422,770

22. AMOUNT DUE FROM A RELATED PARTY

Particulars of amount due from a related party are as follow:–

Name of related parties	Relationship	Outstanding amount at 01/01/2015 RMB	Outstanding amount at 31/12/2015 RMB	Maximum outstanding RMB	Amount fallen due but not been paid RMB	Provisions for bad debts made RMB
西安海天投資控股有限公司(“海天投資”)	Common director and shareholder	26,500,669	**26,500,669**	26,500,669	26,500,669	–

The amount is unsecured, interest-free and repayable on demand.

Xiao Bing is the executive director of the Company and 海天投資, of which is owned as to 25% by Xiao Bing for both years.

23. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

24. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice dates or goods delivery dates at the end of the reporting period.

	2015 *RMB*	2014 *RMB*
Within 60 days	3,399,133	5,471,472
61 to 120 days	7,157,616	–
121 to 365 days	271,207	64,542,335
Over 365 days	1,667,695	6,221,854
	12,495,651	76,235,661

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The Group's trade payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 *RMB*	2014 *RMB*
USD	–	64,628,293

25. OTHER PAYABLES AND ACCRUED CHARGES

	2015 *RMB*	2014 *RMB*
Receipt in advance	736,697	2,978,693
Accrued salaries	3,528,938	4,035,112
Other payables *(Note i)*	7,160,777	17,608,352
Deferred income *(Note ii) (Note 29)*	1,306,500	1,306,500
	12,732,912	25,928,657

Notes:

i. Included in other payables is temporary advances of RMB1,500,000 (2014: RMB7,108,500) from independent third parties. The amount is interest-free, unsecured and repayable on demand.

ii. Deferred income was received from several local government authorities for the Group to the technology improvement of base station antenna and to research and development and industrialisation of antenna.

26. BANK AND OTHER BORROWINGS

	2015 RMB	2014 RMB
Bank borrowings		
– Unsecured	**20,000,000**	20,000,000
Carrying amount repayable:		
On demand or within one year	**20,000,000**	20,000,000
Less: Amounts due within one year shown under current liabilities	**(20,000,000)**	(20,000,000)
Amounts shown under non-current liabilities	**–**	–

The Group's bank borrowings are interest-bearing as follows:

	2015 RMB	2014 RMB
Fixed-rate bank borrowings	**20,000,000**	20,000,000

The ranges of effective interest rates per annum on the Group's bank borrowings are as follows:

	2015	2014
Effective interest rate:		
Fixed-rate bank borrowings	**7.8%**	7.8%

During the years ended 31 December 2015 and 2014, Xiao Bing, an executive director, and his close family member of the Company pledged certain properties to a bank to secure the bank borrowings.

27. GAIN ON DISPOSAL OF ASSET CLASSIFIED AS HELD FOR SALE

On 10 January 2014, the Company and 海天投資 entered into a disposal agreement, pursuant to which the Company has conditionally agreed to sell, and 海天投資 has conditionally agreed to purchase a building which amounted to RMB60,441,693 at a total consideration of RMB68,000,000. The disposal transaction constitutes a major transaction for the Company and approval from the shareholders of the Company has been granted on the extraordinary general meeting of the Company held on 11 March 2014.

The transaction was completed on 2 April 2014 and an amount of RMB7,558,307 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

28. DEFERRED TAXATION

As at 31 December 2015, the Group has unused tax losses of RMB54,421,974 (2014: RMB40,179,251) available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

As at 31 December 2015, the Group also had deductible temporary differences of RMB60,250,300 (2014: RMB53,693,148). No deferred tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

29. DEFERRED INCOME

	2015	2014
	RMB	*RMB*
At 1 January	**2,429,700**	4,977,600
Amortised during the year	**(1,123,200)**	(2,547,900)
At 31 January	**1,306,500**	2,429,700
Analysis for reporting purposes as:		
Current liabilities *(Note 25)*	**1,306,500**	1,306,500
Non-current liabilities	**–**	1,123,200
	1,306,500	2,429,700

The deferred income is government grants received by the Group which was related to research and development and industrialisation of antenna for the TD-SCDMA long term evolution (TD-LTE) in previous years. The deferred income is amortised in 5 years. Amount of RMB1,306,500 (2014: RMB1,306,500) will be amortised within one year and is therefore classified as current liabilities and included in other payables and no remaining amount is classified as non-current liability (2014: RMB1,123,200).

30. SHARE CAPITAL

	Number of shares		Share capital	
	2015	2014	**2015**	2014
			RMB	*RMB*
Domestic shares of RMB0.10 each				
Registered, issued and fully paid:				
At beginning of the financial year	**485,294,118**	485,294,118	**48,529,412**	48,529,412
Issue of shares	**400,000,000**	–	**40,000,000**	–
At the end of financial year	**885,294,118**	485,294,118	**88,529,412**	48,529,412
H shares of RMB0.10 each				
Registered, issued and fully paid:				
At beginning of the financial year	**161,764,706**	161,764,706	**16,176,470**	16,176,470
Issue of shares	**300,000,000**	–	**30,000,000**	–
At the end of financial year	**461,764,706**	161,764,706	**46,176,470**	16,176,470
	1,347,058,824	647,058,824	**134,705,882**	64,705,882

On 30 January 2015, 6 February 2015, 14 April 2015 and 28 April 2015 respectively, the Company allotted and issued in total 300,000,000 H shares of RMB0.10 each for consideration of HKD0.189 per share to shareholders. These shares rank pari passu in all respects with other share in issue.

On 17 November 2015, the Company allotted and issued 400,000,000 domestic shares of RMB0.10 each for consideration of RMB0.105 per share to shareholders. These shares rank pari passu in all respects with other share in issue.

31. RESERVES

(a) Statutory surplus reserve

The Company's Articles of Association requires the appropriation of 10% of its profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation.

(b) Distributable reserves

In accordance with the Articles of Association of the Company, the reserves available for distribution is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the HKFRSs. Based on the financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC, the Company does not have any reserve available for distribution to its owners as at 31 December 2015 and 2014.

(c) Other reserve

海天投資, a related company of the Company under common shareholders, agreed to waive the rental payable by the Company of RMB11,917,380 and RMB3,938,899 for the year ended 31 December 2012 and 2009 respectively. Such waiver is deemed to be a transaction with owners of the Company and therefore recorded in other reserve.

32. COMMITMENTS

(a) Operating lease commitment

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 RMB	2014 RMB
Within one year	82,268	72,918

Operating lease payments represent rentals payable by the Group for its office premises, factory and warehouse. Leases are negotiated for an average term of one years with fixed rentals.

(b) Others

	2015 RMB	2014 RMB
Capital commitments contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	41,027,643	–

33. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

The total cost charged of RMB973,873 (2014: RMB386,186) represents contributions payable to these schemes by the Group for the year ended 31 December 2015.

As at 31 December 2015 and 2014, the Group had no significant obligation apart from the contribution stated above.

34. PLEDGE OF ASSETS

The Group has pledged the following assets to secure the quality of products sold to customers at the end of the reporting period. The carrying values of the assets pledged are as follows:

	2015 RMB	2014 RMB
Bank deposits	5,100	90,429

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the sales proceeds of RMB68,000,000 from 海天投資 on disposal of asset classified as held for sale was partly settled by amount due to a related company amounting to RMB41,499,331 and the remaining balance amounting to RMB26,500,669 was included in amount due from a related party.

36. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

Related Party	Nature of transaction	2015 *RMB*	2014 *RMB*
Zuo Hong	Rental expense	**93,500**	–

(b) Details of the balances with related parties and directors are set out in Notes 22 and 23 respectively to the consolidated financial statements.

(c) During the year ended 31 December 2014, the Group received sales proceeds amounting to RMB68,000,000 for disposal of asset classified as held for sale from 海天投資.

(d) During the years ended 31 December 2015 and 2014, Xiao Bing, an executive director of the Company, and Xiao Liangyong, father of Xiao Bing, pledged certain properties to a bank to secure the bank borrowings.

(e) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015 *RMB*	2014 *RMB*
Short-term benefits	**2,400,589**	570,246
Other long-term benefits	**97,566**	73,664
	2,498,155	643,910

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(f) Subsequent to the end of the reporting period, certain directors of the Company have undertaken to provide indemnity for certain financial assets as at 31 December 2015.

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital/ registered capital	Percentage of equity interest voting right and directly held by the Company 2015	2014	Principal activities
Xaht Antenna Technologies (Hongkong) Limited	Hong Kong	Ordinary shares	HK$1,500,000	100%	100%	Provision of import and export agency services
Xi'an Haitian Communication System Engineering Co., Ltd.*	PRC	Registered capital	RMB30,000,000 (2014: RMB5,000,000)	100%	100%	Design and installation of the antennas and related products
Xi'an Hi-tech Communication Software Co., Ltd.* ("Xian Hi-tech")	PRC	Registered capital	RMB1,500,000	100%	100% *(Note)*	Inactive
Xi'an Haitian Wireless System Equipment Co., Ltd.**	PRC	Registered capital	RMB20,000,000	100%	100%	Development and consulting services of Time Division – Synchronous Code Division Multiple Access
Haitian Antenna (Shanghai) International Trade Co., Ltd.*	PRC	Registered capital	RMB3,000,000 (2014: RMB5,000,000***)	100%	100%	Trading of base station antennas and related products
Xi'an Haitian Marine Technologies Co., Ltd.*	PRC	Registered capital	RMB10,000,000	100%	–	Research, development and marketing of underwater surveillance, underwater imaging, underwater mechanical equipment and other related products.
Xi'an Haitian Aerospace Technologies Co., Ltd.*	PRC	Registered capital	RMB10,000,000	100%	–	Development of unmanned aerial vehicles, avionics imaging and monitoring, and other related products and services.
Xi'an Haitian Automotive Electronics Technologies Co., Ltd.*	PRC	Registered capital	RMB1,000,000	100%	–	Inactive

* Limited company established in the PRC

** Sino-foreign equity joint venture registered in the PRC

*** The registered capital has not been paid up as at 31 December 2014

Note: During the year ended 31 December 2013, Xian Hi-tech was revoked by Xi'an Administration for Industry and Commerce due to the failure of compliance in an annual inspection. The Group negotiated with Xi'an Administration for Industry and Commerce and submitted application to retrieve the original status of Xi'an Hi-tech in 2014. There was no business activity during 2015. The Group has cancelled the tax registration of Xi'an Hi-tech during the year and making progress to deregister this subsidiary.

None of the subsidiaries had issued any debt securities at the end of both years or during both years.

38. LITIGATION

As at the end of reporting period, the Company has the following outstanding court case:

(a) On 19 September 2010, the Company filed a writ against 陝西新三秦彩綱有限公司 ("the Defendant A") at 西安市雁塔區人民法院 ("the People's Court"). The Company claimed that due to the collapse of factory built by the Defendant A, the Company suffered from loss of inventories and plant and machineries at amount of RMB2,119,892. The Company requested the People's Court to resolve the dispute by requesting the Defendant A to compensate for it. As a result, the Defendant A was enforced to compensate the Company for a sum of RMB522,000 via court order on 16 May 2012. Nonetheless, the Company was not satisfied with the settlement and appealed to the Court. On 23 December 2013, the court case was concluded of which the Group was entitled to receive an amount of RMB101,502 from the Defendant A. At the same time, the Group was also demanded to repay the Defendant A of construction costs at RMB627,843. The Company appealed to the Court and requested it to commute by requesting the Defendant A to compensate the Company the original claim amount and to waive the amount to be repaid to the Defendant A.

On 22 October 2014, the Court turned down the appeal from the Company. The Defendant A therefore requested the People's Court to enforce a Specific Performance on the court order issued on 21 January 2014. Subsequent to the end of the reporting period, a settlement agreement between the Company and the Defendant was under negotiation, and the mutually agreement was pending to conclude.

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's consolidated financial statements for the years ended 31 December 2015 and 2014 as the amount of construction cost was included in other payables.

(b) During the year ended 31 December 2014, 西安眾為通信技術有限公司, being the subcontractor of a subsidiary, requested the People's Court to resolve the outstanding engineering fee of RMB56,838 and compensation for breach of contract of RMB28,760. On 26 September 2014, the court concluded that the subsidiary is liable for the case and required to paid RMB60,346 in total and the Group appealed the case on 11 October 2014.

During the year ended 31 December 2015, the Group withdrew the appeal. The total amount of project fee and compensation has been recognised as an expense and included in the payable and the Group paid for the amount subsequently on 18 February 2016.

38. LITIGATION *(Continued)*

(c) During the year ended 31 December 2015, 西安厚普智能工程有限責任公司 filed a writ against 海天投資, a related company of the Group, for the outstanding building construction fee of RMB606,000 and against the Company for joint responsibility. In 2013, the Xi'An Court concluded the related company was liable for the claim but the Company is not liable to the joint responsibility. The related company appealed the case on 18 May 2015 and the case is still in progress as at 31 December 2015.

No provision was made for this case as the directors consider that legal conclusion would state unchanged and be favour to the Company. Therefore no disclosure in the financial statement and no provision is required.

(d) During the year ended 31 December 2015, the Company filed a legal claim to the China International Economic and Trade Arbitration Commission against China Unicom Company Limited ("the Defendant B"). The Defendant B signed a sales agreement with the Company during 2007 and 2008 for total amount of RMB1,427,177. As the Company had completed the delivery of the products according to the agreement, an amount of RMB142,718 remains outstanding and unpaid. The case has been accepted and pending to proceed.

No contingent asset was included in the statement of financial position as the outcome is uncertain.

(e) During the year ended 31 December 2015, 西安慶建塑業有限公司 ("the Plaintiff"), a supplier of the Company, filed a dispute at the 西安仲裁委員會 ("the Commission") against the Company for a disagreement on a outstanding inventory cost of RMB1,204,294, which is different from the amount RMB517,970 recorded in ledger of the Company. The trial has gone through twice and is pending to the final conclusion.

No provision was made for this case as the directors of the Company consider the evidence filed to the Commission is in favour of the Company's figure. As the possibility of settlement of the claim is remote, no provision is required.

39. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to approval granted by the Companies Registry on 18 January 2016, the name of the Company was changed from Xi'an Haitian Antenna Technologies Co., Ltd. to Xi'an Haitian Antenna Holdings Co., Ltd..

(b) Subsequent to 31 December 2015, Shaanxi Haitian Lotaks Aviation Light Engine Technologies Co., Ltd. with registered capital of RMB10,000,000 was established under PRC regulation.

(c) Under the subscription agreements dated 18 December 2015, 60,000,000 new H shares and 32,000,000 new H shares will be allotted and issued to Auspicious Zone Investments Limited and Oceanic Bliss Holdings Limited respectively for cash at subscription price of HK$0.33 per new H share. On 2 February 2016, the Company has obtained an approval granted by the China Securities Regulatory Commission for the issue of new H shares. The issue of new H shares has not yet completed as at date of these consolidated financial statements authorised for issue.

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB	2014 RMB
Non-current assets		
Property, plant and equipment	2,649,499	139,310
Investment in subsidiaries	46,397,500	31,097,500
Intangible assets	–	–
	49,046,999	31,236,810
Current assets		
Inventories	523,493	1,908,483
Trade receivables	19,755,624	17,749,740
Other receivables and prepayments	3,654,773	2,796,382
Amount due from subsidiaries	55,126,281	23,471,870
Amount due from a related party	26,500,669	26,500,669
Pledged bank deposits	5,100	90,429
Bank balances and cash	28,861,787	623,590
	134,427,727	73,141,163
Current liabilities		
Trade payables	6,634,379	3,122,835
Other payables and accrued charges	12,005,096	18,405,494
Amounts due to subsidiaries	15,279,815	13,009,168
Amounts due to directors	–	63,378
	33,919,290	34,600,875
Net current assets	100,508,437	38,540,288
Total assets less current liabilities	149,555,436	69,777,098
Non-current liability		
Deferred income	–	1,123,200
Net assets	149,555,436	68,653,898
Capital and reserves		
Share capital *(see note 30)*	134,705,882	64,705,882
Reserves *(note (i))*	14,849,554	3,948,016
Total equity	149,555,436	68,653,898

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note (i): Movements in reserves

	Share capital *RMB*	Share premium *RMB*	Statutory surplus reserve *RMB* *(Note 31 (a))*	Other Reserve *RMB* *(Note 31 (c))*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2014	64,705,882	71,228,946	16,153,228	15,856,279	(98,633,611)	69,310,724
Loss and total comprehensive expense for the year	–	–	–	–	(656,826)	(656,826)
At 31 December 2014	64,705,882	71,228,946	16,153,228	15,856,279	(99,290,437)	68,653,898
Loss and total comprehensive expense for the year	–	–	–	–	(5,905,276)	(5,905,276)
Shares issued	70,000,000	16,806,814	–	–	–	86,806,814
At 31 December 2015	134,705,882	88,035,760	16,153,228	15,856,279	(105,195,713)	149,555,436

Financial Summary

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
RESULTS					
Revenue					
– Sales of antennas products and related services	50,886,381	46,569,471	25,189,899	11,028,978	**13,496,935**
– Sales of underwater surveillance and related products	–	–	–	–	**9,840,617**
– Sales of unmanned aerial products	–	–	–	–	**–**
	50,886,381	46,569,471	25,189,899	11,028,978	**23,337,552**
(Loss) profit before tax	(43,078,833)	9,688,840	(12,467,709)	(2,840,491)	**(21,930,481)**
Income tax credit (expense)	600,000	2,715,121	(2,726,801)	(782,442)	**(5,565)**
(Loss) profit and total comprehensive (expense) income for the year	(42,478,833)	12,403,961	(15,194,510)	(3,622,933)	**(21,936,046)**

	As at 31 December				
	2011	2012	2013	2014	**2015**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
ASSETS AND LIABILITIES					
Total assets					
– Sales of antennas products and related services	213,227,619	162,840,093	172,008,445	132,603,552	**37,749,323**
– Sales of underwater surveillance and related products	–	–	–	–	**17,067,656**
– Sales of unmanned aerial products	–	–	–	–	**6,586,939**
– Unallocated	–	–	–	–	**57,477,615**
	213,227,619	162,840,093	172,008,445	132,603,552	**118,881,533**
Total liabilities					
– Sales of antennas products and related services	(210,166,516)	(135,457,649)	(159,820,511)	(124,038,551)	**(19,661,861)**
– Sales of underwater surveillance and related products	–	–	–	–	**(5,411,483)**
– Sales of unmanned aerial products	–	–	–	–	**(52,649)**
– Unallocated	–	–	–	–	**(20,319,771)**
	(210,166,516)	(135,457,649)	(159,820,511)	(124,038,551)	**(45,445,764)**
Total equity	3,061,103	27,382,444	12,187,934	8,565,001	**73,435,769**