

# INTERIM REPORT 2016



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

(formerly known as 西安海天天线科技股份有限公司 (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”)**

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**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.**

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*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.*

\* For identification purpose only

## **HIGHLIGHTS**

- During the six months ended 30 June 2016, unaudited gross profit amounted to approximately RMB0.28 million and gross profit margin was 8.2% which represented a significant decrease when compared to the gross profit margin of 40.8% for the corresponding period in 2015.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

## CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of Directors of the Company (the “**Board**”) hereby submits the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in the year 2015 as follows:

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	3	1,928	17,976	3,472	18,399
Cost of sales		(1,762)	(10,657)	(3,189)	(10,892)
Gross profit		166	7,319	283	7,507
Other revenue		359	779	786	1,322
Distribution costs		(457)	(250)	(1,132)	(1,019)
Administrative expenses		(3,777)	(3,705)	(8,081)	(6,289)
Finance costs		(191)	(230)	(541)	(1,210)
(Loss) Profit before tax		(3,900)	3,913	(8,685)	311
Income tax expense	4	–	–	–	–
(Loss) Profit and total comprehensive (expense) income for the period	5	(3,900)	3,913	(8,685)	311
(Loss) Profit per share – Basic and diluted (in RMB cents)	7	(0.28)	0.47	(0.63)	0.04

## Condensed Consolidated Statement of Financial Position

		(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	3,564	2,901
Intangible assets		–	–
		<b>3,564</b>	<b>2,901</b>
<b>Current assets</b>			
Inventories		4,221	3,107
Trade receivables	9	23,703	26,620
Other receivables and prepayments		51,245	28,771
Amounts due from related parties	10	26,501	26,501
Pledged bank deposits		5	5
Bank balances and cash		4,735	30,977
		<b>110,410</b>	<b>115,981</b>
<b>Current liabilities</b>			
Trade payables	11	12,002	12,496
Other payables and accrued charges		11,784	12,733
Tax payables		64	70
Amounts due to directors		–	147
Bank and other borrowings		–	20,000
		<b>23,850</b>	<b>45,446</b>
<b>Net current assets</b>		<b>86,560</b>	<b>70,535</b>
<b>Total assets less current liabilities</b>		<b>90,124</b>	<b>73,436</b>

	<i>Notes</i>	<b>(Unaudited) As at 30 June 2016 RMB'000</b>	(Audited) As at 31 December 2015 RMB'000
<b>Non-current liabilities</b>			
Deferred income		–	–
<b>Net assets</b>		<b>90,124</b>	73,436
<b>Capital and reserves</b>			
Share capital		<b>143,906</b>	134,706
Reserves		<b>(53,782)</b>	(61,270)
<b>Equity attributable to owners of the Company and total equity</b>		<b>90,124</b>	73,436

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	(Unaudited) Share capital RMB'000	(Unaudited) Share premium RMB'000	(Unaudited) Statutory surplus reserve RMB'000	(Unaudited) Other reserve RMB'000	(Unaudited) Accumulated losses RMB'000	(Unaudited) Total RMB'000
At 1 January 2016	134,706	88,036	16,153	15,856	(181,315)	73,436
Issue of 92,000,000 H shares at subscription price of HK\$0.33 each	9,200	16,173	-	-	-	25,373
Loss and total comprehensive expense for the period	-	-	-	-	(8,685)	(8,685)
<b>At 30 June 2016</b>	<b>143,906</b>	<b>104,209</b>	<b>16,153</b>	<b>15,856</b>	<b>(190,000)</b>	<b>90,124</b>
At 1 January 2015	64,706	71,229	16,153	15,856	(159,379)	8,565
Issue of 300,000,000 H shares at subscription price of HK\$0.189 each	30,000	15,597	-	-	-	45,597
Profit and total comprehensive income for the period	-	-	-	-	311	311
<b>At 30 June 2015</b>	<b>94,706</b>	<b>86,826</b>	<b>16,153</b>	<b>15,856</b>	<b>(159,068)</b>	<b>54,473</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	<b>(Unaudited)</b> <b>2016</b> <b>RMB'000</b>	(Unaudited) 2015 RMB'000
Net cash used in from operating activities	<b>(11,511)</b>	(40,001)
Investing activities		
Withdrawal of pledged bank deposits	–	90
Purchase of property, plant and equipment	<b>(19,624)</b>	(1,507)
Expenditure on product development	–	(148)
Other investing cash flows	<b>75</b>	(1,158)
Net cash used in investing activities	<b>(19,549)</b>	(2,723)
Financing activities		
Issue of share capital	<b>25,373</b>	45,597
New bank and other borrowings raised	–	20,000
Repayment of bank and other borrowings	<b>(20,000)</b>	(20,000)
Other financing cash flows	<b>(555)</b>	(1,311)
Net cash from financing activities	<b>4,818</b>	44,286
Net (decrease) increase in cash and cash equivalents	<b>(26,242)</b>	1,562
Cash and cash equivalents at the beginning of period	<b>30,977</b>	1,207
Cash and cash equivalents at the end of period, represented by bank balances and cash	<b>4,735</b>	2,769



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 1. BASIS OF PREPARATION

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 GEM of the Stock Exchange.

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.

This unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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

### 2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2015.

### 3. REVENUE AND SEGMENT INFORMATION

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.

### 3. REVENUE AND SEGMENT INFORMATION *(continued)*

Analysis of revenue and results by reportable and operating segment:

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue				
Sales of antennas products and related services	1,138	6,967	1,138	7,390
Sales of underwater surveillance and related products	790	11,009	2,334	11,009
Sales of unmanned aerial products	–	–	–	–
Sales of automotive equipment and related products	–	–	–	–
	<b>1,928</b>	17,976	<b>3,472</b>	18,399
Segment profit (loss)				
Sales of antennas products and related services	320	4,224	505	3,912
Sales of underwater surveillance and related products	(353)	3,107	(498)	3,107
Sales of unmanned aerial products	53	–	(306)	–
Sales of automotive equipment and related products	–	–	–	–
	20	7,331	(299)	7,019
Unallocated income	–	498	99	761
Unallocated expenses	(3,729)	(3,686)	(7,944)	(6,259)
Finance costs	(191)	(230)	(541)	(1,210)
(Loss) Profit before tax	<b>(3,900)</b>	3,913	<b>(8,685)</b>	311

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.

### 3. REVENUE AND SEGMENT INFORMATION *(continued)*

Analysis of assets and liabilities by reportable and operating segment:

	<b>(Unaudited) As at 30 June 2016 RMB'000</b>	(Unaudited) As at 31 December 2015 RMB'000
Segment assets		
Sales of antennas products and related services	<b>48,255</b>	37,749
Sales of underwater surveillance and related products	<b>14,274</b>	17,068
Sales of unmanned aerial products	<b>19,225</b>	6,587
Sales of automotive equipment and related products	<b>980</b>	–
	<b>82,734</b>	61,404
Unallocated assets	<b>31,240</b>	57,478
<b>Total assets</b>	<b>113,974</b>	118,882
Segment liabilities		
Sales of antennas products and related services	<b>22,059</b>	19,662
Sales of underwater surveillance and related products	<b>1,555</b>	5,411
Sales of unmanned aerial products	<b>172</b>	53
Sales of automotive equipment and related products	<b>–</b>	–
	<b>23,786</b>	25,126
Unallocated liabilities	<b>64</b>	20,320
<b>Total liabilities</b>	<b>23,850</b>	45,446

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.

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.

### 3. REVENUE AND SEGMENT INFORMATION *(continued)*

Analysis of revenue by geographical location:

	<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 June</b>		<b>(Unaudited)</b> <b>For the six months</b> <b>ended 30 June</b>	
	<b>2016</b> <b>RMB'000</b>	2015 RMB'000	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
The PRC	<b>1,928</b>	17,976	<b>3,472</b>	18,399
Asia excluding the PRC	–	–	–	–
	<b>1,928</b>	17,976	<b>3,472</b>	18,399

No analysis of the Group's assets and liabilities by geographical location is presented as the majority of the Group's assets and liabilities are located in the PRC.

### 4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group did not generate assessable profits in Hong Kong during both periods.

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% during both periods.

## 5. (LOSS) PROFIT FOR THE PERIOD

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
(Loss) Profit for the period has been arrived at after charging (crediting):				
Depreciation for property, plant and equipment	115	45	205	92
Amortisation of intangible assets (included in administrative expenses)	–	4	–	4
<b>Total depreciation and amortisation</b>	<b>115</b>	<b>49</b>	<b>205</b>	<b>96</b>
Auditors' remuneration				
– audit services	–	–	–	–
– other services	81	72	81	72
Amount of inventories recognised as an expense	1,762	10,860	3,189	10,892
Staff costs				
– Remuneration of Directors and members of supervisory committee (the "Supervisors")	417	218	987	280
– Salaries, wages and other benefits	2,021	1,126	3,671	1,814
– Retirement benefit scheme contributions (excluding Directors and Supervisors)	299	70	595	125
<b>Total staff costs</b>	<b>2,737</b>	<b>1,414</b>	<b>5,253</b>	<b>2,219</b>
Reversal of allowance for inventories (included in costs of sales)	–	(3,245)	–	(3,448)
Research and development costs recognised as an expense	283	232	801	232
Interests on bank and other borrowings wholly repayable within five years	194	337	555	917
<b>Interest income</b>	<b>11</b>	<b>10</b>	<b>34</b>	<b>14</b>

## 6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

## 7. (LOSS) PROFIT PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the unaudited loss for the three months and six months ended 30 June 2016 attributable to owners of the Company of RMB3,900,000 and RMB8,685,000 respectively (2015: profit of RMB3,913,000 and RMB311,000 respectively) and the weighted average number of 1,380,135,747 (2015: 832,058,824) ordinary shares in issue during the period. The weighted average number of ordinary shares is the number of 1,347,058,824 ordinary shares in issue at the beginning of the period, adjusted by the number of 92,000,000 ordinary shares issued during the period multiplied by a time-weighting factor.

The diluted loss per share is equal to the basic loss per share as calculated above as the Company did not have any potential shares outstanding for the both periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB0.87 million (2015: RMB1.51 million) on acquisition of property, plant and equipment.

## 9. TRADE RECEIVABLES

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	(Audited) As at 31 December 2015 RMB'000
Trade receivables	<b>57,011</b>	59,928
Less: impairment loss recognised	<b>(33,308)</b>	(33,308)
	<b>23,703</b>	26,620

The Group allows a credit period ranging from 5 to 240 days (2015: 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.

## 9. 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 at the end of the reporting period:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Within 60 days	<b>608</b>	9,491
61 to 120 days	<b>113</b>	2,396
121 to 180 days	<b>2,215</b>	162
181 to 365 days	<b>7,732</b>	14
Over 365 days	<b>13,035</b>	14,557
	<b>23,703</b>	26,620

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.

## 10. AMOUNTS DUE FROM RELATED PARTIES

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
西安海天投資控股有限公司("海天投資")	<b>26,501</b>	26,501

The amount is unsecured, interest-free and repayable on demand. Mr. Xiao Bing is the executive director of the Company and 海天投資, of which is owned as to 25% by Mr. Xiao Bing.

## 11. TRADE PAYABLES

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

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	(Audited) As at 31 December 2015 RMB'000
Within 60 days	<b>1,646</b>	3,399
61 to 120 days	<b>863</b>	7,158
121 to 365 days	<b>6,917</b>	271
Over 365 days	<b>2,576</b>	1,668
	<b>12,002</b>	12,496

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.

## 12. COMMITMENTS

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2016</b> <b>RMB'000</b>	(Audited) As at 31 December 2015 RMB'000
Capital commitments in respect of construction cost on properties under construction and acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>23,346</b>	41,028



### 13. LITIGATION

As at the end of reporting date, the Group has the following outstanding court case:

- (a) On 19 September 2010, the Company filed a writ against 陝西新三秦彩網有限公司 (“**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 condensed consolidated financial statements for the period ended 30 June 2016 as the amount of construction cost was included in other payables.

- (b) 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.

### 13. LITIGATION (continued)

- (c) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Revenue

Unaudited revenue of approximately RMB3.47 million was recognised for the six months ended 30 June 2016 (the “**Review Period**”), representing less than 19% unaudited revenue for the corresponding period in 2015. Significant decrease in revenue was mainly due to no income generated from garden alarm system and video surveillance system in the Review Period which attributed approximately RMB11.01 million to revenue in the corresponding period in 2015.

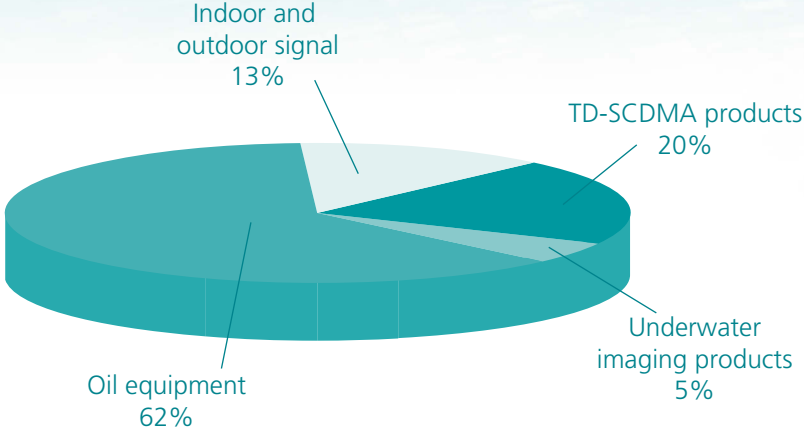
Revenue generated from the operating segment of antennas products and related services was accounted for approximately 33% revenue during the Review Period, of which approximately 20% and 13% were attributable to sales of TD-SCDMA products and service income from indoor and outdoor signal respectively. It was because the Group concentrated its resources in the development of new products for underwater surveillance and unmanned aerial during the Review Period.

During the Review Period, over 67% revenue was generated from operating segment of underwater surveillance and related products, approximately 62% and 5% revenue were come from sales of oil equipment and underwater imaging products respectively. No revenue was recorded for the operating segment of unmanned aerial products as the new products were under development and marketing during the Review Period.

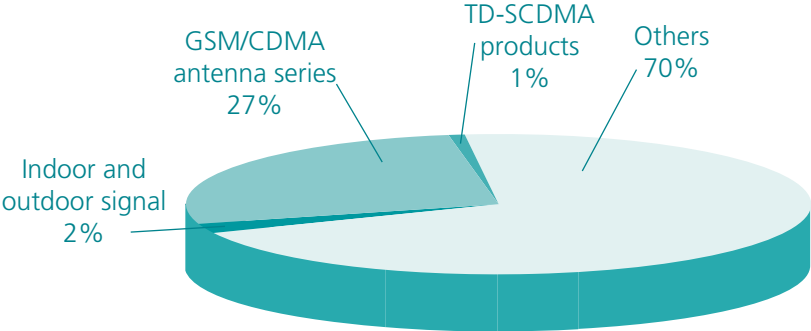
Complying with new development of operating segments and products, the Group’s customer base was further diversified into different customer groups. Total revenue generated from the three major telecommunication operators was approximately 31% during the Review Period, compared to approximately 8% for the corresponding period in 2015.

Composite of revenue by product line for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in the year 2015, are provided as follows:

**For the six months ended 30 June 2016 (by product line)**



**For the six months ended 30 June 2015 (by product line)**

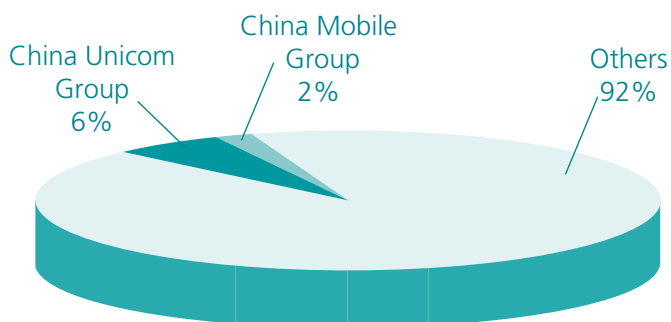


Composite of revenue by major customers for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in the year 2015, are provided as follows:

**For the six months ended 30 June 2016 (by major customers)**



**For the six months ended 30 June 2015 (by major customers)**



**Legend:**

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**")

## **Gross Profit**

Unaudited gross profit of approximately RMB0.28 million was recorded for the Review Period which represented gross profit margin of 8.2%. Comparing to the unaudited gross profit margin of 40.8% for the corresponding period in 2015, it was mainly attributable to low profit margin of underwater surveillance and related products at early stage during the Review Period and high profit margin of garden alarm system and video surveillance system in the corresponding period in 2015.

## **Other Revenue**

Approximately RMB0.69 million was recognised as government grant received and amortised for the operating segment of antennas products and related services during the Review Period.

## **Segment Profit (Loss)**

Distribution costs were increased by approximately RMB0.11 million for the Review Period, representing an increase of approximately 11% from the corresponding period in 2015. Nearly 72% distribution costs were used for the marketing of underwater surveillance and related products and nearly 27% were for the development of unmanned aerial products. Under cost effectiveness approach, merely 1% distribution costs were accounted for antennas products and related services.

After allocation of government grant under other revenue and depreciation expenses under administrative expenses, segment profit of approximately RMB0.51 million was recorded for the operating segment of antennas products and related services. Segment losses were reported for the operating segments of underwater surveillance and related products, and unmanned aerial products as both were at the development stage.

## **Other Costs and Expenses**

There was an increase in administration expenses for the Review Period by approximately 28.5% comparing to the corresponding period in 2015. It was mainly resulted from increase in salaries of administrative team by approximately RMB1.50 million and increase in research and development costs by approximately RMB0.57 million from the corresponding period in 2015.

Interests on bank borrowings incurred were dropped by approximately RMB0.36 million for the Review Period from approximately RMB0.92 million for the corresponding period in 2015 as all the bank borrowings were repaid during the Review Period by the fund raised from issue of shares.

### **Loss for the period**

Although the cost effectiveness approach was still implemented in the operations of the Group during the Review Period, the operating segments of underwater surveillance and related products, and unmanned aerial products were still at the development stage that unaudited loss attributable to shareholders of approximately RMB8.69 million was recorded during the Review Period.

### **PROSPECTS**

Through the strategic alignment and early technical reserves and development during the first half year, the Group has developed and produced large-scale unmanned autogiros applied to aerial seeding in agriculture, forestry, animal husbandry, insecticide, fertilisation, plant protection, high-speed unmanned fixed wing aircrafts applied to agriculture, forestry, meteorological service and micro multi-rotor unmanned aircrafts with various applications; developed and produced underwater monitoring, underwater robot, and other advanced technical equipment products. At the same time, the Group attended major domestic and overseas industrial famous exhibitions of aerospace and marine technology to establish basic market awareness and expand its customer base successfully. It is expected that products will boost the sales to a fresh new round of growth and record an exceptional growth in the second half year of 2016. It will facilitate the Group to realise the strategic goal of developing advanced products.

Meanwhile, to cope with the faster and better business development of the Group, the Company has completed the private placing of 92,000,000 new H shares during the first half year and raised proceeds of approximately HK\$30,360,000 therefrom to replenish working capital of the Group. This creates good basic conditions for the business performance of the Group in 2016.

The Group has achieved initial success in strategic transformation in 2016, and will continue to accelerate the restructuring and transformation of the product of the Group, expand production scale of business with high added value and low risk, expand the Group's profit and development, keep up with world trends, participate in market competition actively during the second half year. The Board and management of the Company will redouble their efforts to develop the Group into a high-tech enterprise with diversified operations.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period, the Group was mainly financed by cash from banking facilities and borrowings, and fund raised from issue of new shares. As at 30 June 2016, there were no bank borrowings as all was repaid by the fund raised. During the period ended 30 June 2016, 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.

During the period, all of the Group's interest-bearing borrowings borne interest rate of 5.95% per annum. Since all the borrowings were denominated in RMB, the Directors considered that exposure to foreign exchange risk was minimal.

As at 30 June 2016, the gearing ratio was not applicable to the Group (as at 31 December 2015: 36.7%, which is calculated based on total interest-bearing borrowings of approximately RMB20.00 million over total shareholders' funds of approximately RMB54.47 million). Cash and cash equivalents decreased from approximately RMB30.98 million to RMB4.74 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.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2016, the Group pledged bank deposits of approximately RMB0.01 million for the quality of the products sold to customers.

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group did not have any material contingent liabilities.

## **FOREIGN EXCHANGE EXPOSURE**

For the period ended 30 June 2016, the Group was not exposed to any significant foreign exchange risk as majority of the Group's transactions were denominated in Renminbi. Hence, no financial instrument for hedging was employed.



## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2016, the Group had 86 full-time employees. Total staff costs for the six months ended 30 June 2016 amounted to approximately RMB5.25 million (six months ended 30 June 2015: RMB2.22 million), including remuneration of the Directors and 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 on 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, the Group did not hold any significant investment in equity interest in any company.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

As at 30 June 2016, the Group had approximately RMB23.35 million capital expenditure contracted for but not provided in the financial statements (as at 31 December 2015: 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, during the six months ended 30 June 2016, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and affiliated companies.

## 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 30 June 2016, 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
Mr. Xiao Bing (肖兵先生)	Interest in controlled corporation	328,363,637 (Note 1)	37.09%	22.82%
Mr. Chen Ji (陳繼先生)	Spouse interest	189,844,804 (Note 2)	21.44%	13.19%
Mr. Zuo Hong (左宏先生)	Interest in controlled corporation	75,064,706 (Note 3)	8.48%	5.22%

## 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
Mr. Chen Ji (陳繼先生)	Beneficial owner	53,500,000	9.66%	3.72%

### Notes:

- 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.
- 189,844,804 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 189,844,804 Domestic Shares.
- 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) (“**Shenzhen Huitai**”), which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, Mr. Zuo Hong is deemed to be interested in the same 75,064,706 Domestic Shares.

Saved as disclosed above, as at 30 June 2016, 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 30 June 2016, 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
Tian An Investment	Beneficial owner	328,363,637 (Note 1)	37.09%	22.82%
Professor Xiao Liangyong (肖良勇教授)	Parties acting in concert	328,363,637 (Note 1)	37.09%	22.82%
Ms. Yao Wenli (姚文俐女士)	Interest in controlled corporation	328,363,637 (Note 1)	37.09%	22.82%
Gaoxiang Investment	Beneficial owner	189,844,804 (Note 2)	21.44%	13.19%
Ms. Sun Xiangjun (孫湘君女士)	Interest in controlled corporation	189,844,804 (Note 2)	21.44%	13.19%
Ms. Gao Xuejuan (高雪娟女士)	Interest in controlled corporation	189,844,804 (Note 2)	21.44%	13.19%

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Domestic Shares</b>	<b>Approximate % in total issued Domestic Shares</b>	<b>Approximate % in total issued Shares</b>
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%	6.94%
Shenzhen Huitai	Beneficial owner	75,064,706 (Note 3)	8.48%	5.22%
Ms. Yi Li (易麗女士)	Interest in controlled corporation	75,064,706 (Note 3)	8.48%	5.22%
Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司)	Beneficial owner	70,000,000 (Note 4)	7.91%	4.86%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 (Note 4)	7.91%	4.86%
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心)	Beneficial owner	54,077,941 (Note 5)	6.11%	3.76%
Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司)	Interest in controlled corporation	54,077,941 (Note 5)	6.11%	3.76%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	2.26%	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%	1.29%
Shanghai Maokou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	2.09%	1.29%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	1.24%	0.76%

## Long positions in H Shares

Name of shareholder	Capacity	Number of H Shares (Note 6)	Approximate	Approximate
			% in total issued H Shares	% in total issued Shares
Ms. Chen Wei (陳瑋女士)	Interest in controlled corporation	115,224,000 (Note 7)	20.81%	8.01%
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	77,000,000 (Note 7)	13.91%	5.35%
Zeal Warrior Investments Limited	Interest in controlled corporation	38,224,000 (Note 7)	6.90%	2.66%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Beneficial owner	38,224,000 (Note 7)	6.90%	2.66%

### Notes:

- 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.
- 189,844,804 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 189,844,804 Domestic Shares.
- 75,064,706 Domestic Shares are held by Shenzhen Huitai, which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, Ms. Yi Li is deemed to be interested in the same 75,064,706 Domestic Shares.

4. 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.
5. 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.
6. Details of these shareholders of the Company are based on information as set out in the website of the Stock Exchange and provided by the relevant shareholders. The Company has not been fully notified by the relevant shareholders and has not received all updated notice pursuant to the SFO from them.
7. 38,224,000 H Shares are held by 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 38,224,000 H Shares. Ms. Chen Wei is beneficial owner of Hongkong Jinsheng Enterprise Co., Limited, by which 77,000,000 H Shares are held, and Zeal Warrior. By virtue of the SFO, Ms. Chen Wei is deemed to be interested in the same 115,224,000 H Shares.

Saved as disclosed above, as at 30 June 2016, 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 30 June 2016, 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.

## 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.

## AUDIT COMMITTEE

An audit committee of the Company (the "**Audit Committee**") was established on 4 April 2003 with terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 June 2016, the Audit Committee comprised of Professor Shi Ping and Mr. Laio Kang, independent non-executive Directors, and Ms. Huang Jing, a non-executive Director. The Group's unaudited consolidated results for the six months ended 30 June 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2016, the Company has complied with the requirements of the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2016, the Company adopted a code of conduct regarding securities transactions by Directors on terms which are same as the required standard of dealings as referred to in Rule 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 for dealings and the code of conduct regarding securities transactions by the Directors.



## 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 six months ended 30 June 2016.

By order of the Board  
**Xi'an Haitian Antenna Holdings Co., Ltd.\***  
**Chen Ji**  
*Chairman*

Xi'an, the PRC, 5 August 2016

*As at the date of this report, the Board comprises Mr. Chen Ji (陳繼先生) and Mr. Xiao Bing (肖兵先生) being executive Directors; Mr. Sun Wenguo (孫文國先生), Mr. Li Wenqi (李文琦先生), Mr. Zuo Hong (左宏先生), Ms. Huang Jing (黃婧女士) and Mr. Yan Weimin (燕衛民先生) being non-executive Directors; and Mr. Zhang Jun (張鈞先生), Professor Shi Ping (師萍教授), Mr. Tu Jijun (涂繼軍先生) and Mr. Laio Kang (廖康先生) being independent non-executive Directors.*