ANNUAL REPORT 2016

西安海天天綫控股股份有限公司

Xi'an Haitian Antenna Holdings 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.*

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Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")
No.25 Shuoshi 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

WEBSITE
www.xaht.com

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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
Professor Shi Ping (師萍教授) (Chairman)
Mr. Laio Kang (廖康先生)
Ms. Huang Jing (黃婧女士)

MEMBERS OF NOMINATION COMMITTEE
Mr. Tu Jijun (涂繼軍先生) (Chairman)
Mr. Zhang Jun (張鈞先生)
Mr. Zuo Hong (左宏先生)

MEMBERS OF REMUNERATION COMMITTEE
Mr. Tu Jijun (涂繼軍先生) (Chairman)
Professor Shi Ping (師萍教授)
Mr. Li Wenqi (李文琦先生)

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

No.136 Weiyang Lu
Weiyang District
Xi'an, Shaanxi Province, The PRC

Bank of Communication
No.48 Ke Ji Lu
Gaoxin 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 2016 on behalf of the board of Directors (the "Board").

In 2016, with the market warm-up efforts and technology accumulation in the previous stage, the Group's strategic transformation began to produce the desired effect. In respect of aerospace and marine engineering equipment, the Company has developed a wide range of products, e.g. drones, aviation electronic imaging, underwater monitoring, underwater imagining and underwater machinery. Thanks to their high-tech products and excellent services, Xi'an Haitian Marine Technologies Co., Ltd. (西安海天海洋科技有限公司) and Xi'an Haitian Aerospace Technologies Co., Ltd. (西安海天航空航天科技有限公司), two of the wholly-owned subsidiaries of the Group, were acknowledged by the Fire Corps of Shaanxi Province as qualified suppliers of fire-fighting equipment, signifying our successful penetration into the market. Meanwhile, in order to support the Group's market developing efforts in Europe and to take full advantage of the technologies, market and management expertise there, the Group invested €500,000 to set up a wholly-owned subsidiary in one of the European Union Member States. Furthermore, the Group entered into a Memorandum of Cooperation with AutoGyro GmbH, a renowned developer and manufacturer of rotary-wing aircraft in Europe, and UMS SKELDAR AG, a specialist on the development of drones and the remote control system for drones from Switzerland, pursuant to which the parties intended to establish a joint-venture in Hong Kong for the joint development of the Asian market. In 2016, the Group took an active response to the national policy on poverty alleviation as its stance on performing its social responsibilities. It rolled out customised initiatives to develop poverty-alleviation industries in consideration of the local conditions and set up a joint venture with a third party in Dalan Village (a target village for poverty alleviation of the Navy of PRC), Lianggang Town, Yi County, Baoding City, Hebei Province, PRC, which is mainly engaged in research, production and sale of ecological livestock, poultry and their by-products.

In addition, following its private placing of 92 million H Shares in the first half of 2016, which raised HK$30.36 million, the Company completed another round of placing of 92 million H Shares in the second half of 2016, raising HK$23 million. The placing has replenished the Company's operating cash flow and laid the foundations for its expansion in 2017.

In 2017, the Group plans to optimise its resources allocation, make active R&D efforts to tap into the new business areas by leveraging on its capital strength and seek for additional financing channels to gain access of new funding, diversify its 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.

Chen Ji
Chairman

Xi'an, the PRC
24 March 2017

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

Revenue recorded for the year ended 31 December 2016 was approximately RMB36.24 million, representing a significant increase of approximately 55.3% from RMB23.34 million for the year of 2015. With the business development and diversification during the year, the operations of the Group were divided into 5 reportable and operating segments, namely, sales of antenna products and related services, sales of underwater surveillance and related products, sales of unmanned aerial products, sales of construction related products and provision of consultancy services.

Sales of construction related products were reported since the second half of 2016 of which sales net of direct costs were showed as revenue in the third quarterly report. After subsequent review of revenue recognition and consideration of future development of the Group, it was reclassified as revenue and cost of sales in the annual consolidated financial statements. During the year, approximately RMB26.09 million was generated from trading of construction materials and products which represented nearly 72% of revenue of the Group.

Following the introduction of underwater surveillance and related products to the markets since last quarter of 2015, revenue generated from the segment of underwater surveillance and related products was approximately RMB3.94 million or approximately 11% of revenue during the year, representing a decrease of approximately 60.0% from RMB9.84 million for the year of 2015. Such decrease was due to no revenue from sales of alarm and surveillance system was recognised, compared to revenue of approximately RMB9.30 million in 2015, and merely RMB3.39 million was come from sales of oil equipment during the year.

Income from the provision of consultancy services was accounted for approximately RMB3.20 million or approximately 9% of revenue during the year. Business consultation in relation to legal, operational and development aspects was provided to various customers during the year.

Traditional sales from antenna products and income from related services were dropped from approximately 58% of revenue in 2015 to merely 5% of revenue for the year as the Group further concentrated on high-end products and services in its telecommunication business. The revenue of approximately RMB1.95 million generated from the segment of antenna products and related services during the year was mainly attributable to income from indoor and outdoor signal services, sales of GSM/CDMA antenna series, and income from network inspection and maintenance services.

No revenue was recognised in the segment of unmanned aerial products due to major products were still under development. Unconventional income from the development in view of ancillary works and training amounted to approximately RMB1.06 million was recorded in the revenue during the year.

Based on further product structure reshuffling and development of different segments of products and services during the year, customer bases were extended from telecommunication business to other operating segments. Nevertheless, less than 1% of revenue was generated from overseas market during the year.

Gross Profit

Gross profit of approximately RMB2.76 million was recorded for the year ended 31 December 2016 with gross profit margin of approximately 7.6%, representing a decrease of over 69% as when comparing to gross profit margin of approximately 24.9% in 2015. Except for a decrease of net reversal of allowance for inventories from approximately RMB1.82 million in 2015 to approximately RMB1.66 million in 2016, no revenue was recognised from high profitable sales of alarm and surveillance system under the segment of underwater surveillance and related products during the year.

Other Revenue

Approximately RMB3.10 million was recognised as other revenue in 2016, representing less than 45% of other revenue in 2015. There was no gain on debts restructuring in respect of wavier of trade and other payables during the year, compared to approximately RMB1.84 million in 2015, and merely RM1.31 million was reversed for impairment loss on trade receivables, other receivables and prepayments during the year, compared to approximately RMB2.02 million in 2015. Government grants received and amortised for the segment of antenna products and related services were approximately RMB1.31 million during the year.

Segment Results

Distribution costs for the year were dropped from approximately RMB2.90 million in 2015 to approximately RMB2.03 million, representing a decrease of over 30%. The decrease was mainly attributable to significant decline in transportation costs by approximately RMB0.83 million.

Impairment loss on trade receivables of approximately RMB21.58 million was provided for the year for those debts overdue for 1 year, of which approximately RMB11.91 million was for the segment of antenna products and related services and approximately RMB9.67 million was for the segment of underwater surveillance and related products. Accordingly, the accumulated impairment loss recognised on trade receivables was increased to approximately 78.0% of total trade receivables at 31 December 2016 as when comparing to approximately 55.6% at 31 December 2015.

Approximately RMB0.24 million impairment loss on other receivables and prepayments was further recognised for the year that accumulated impairment loss on other receivables and prepayments was increased from approximately 9.0% to approximately 28.9% of total current portion of other receivables and prepayments at reporting dates.

After allocation of distribution costs, government grants under other revenue, depreciation and certain direct salaries under administration expenses, impairment loss on trade receivables, other receivables and prepayments recognised and reversed, and exclusion of unconventional allowance for inventories, segment profits of approximately RMB0.30 million and RMB2.72 million were reported for the segments of construction related products and provision of consultancy services respectively. Segment loss of approximately RMB10.59 million was recorded for the segment of antenna products and related services after recognition of impairment loss on trade receivables. Segment loss of approximately RMB11.44 million was accounted for the segment of underwater surveillance and related products due to early stage of development and low revenue generated. Segment loss of approximately RMB0.04 million was reported for the segment of unmanned aerial products due to major products were still under development, most of related income and expenses were classified as "Others" in Note 7 to consolidated financial statements.

Other costs and expenses

Most of administrative expenses were generally under cost control strategy during the year so that approximately RMB18.90 million was incurred in 2016 which represented a decrease of over 6% from approximately RMB20.15 million in 2015. Except for an increase in travelling expenses for business trips by approximately RMB1.05 million and a decrease in legal expenses for fund raising activities by approximately RMB1.58 million, there was no other significant fluctuation during the year.

Due to further fund raising activities during the year, the bank borrowings were dropped from approximately RMB20.00 at 31 December 2015 to approximately RMB10.00 million at 31 December 2016. Therefore finance costs were decreased by approximately RMB0.88 million during the year.

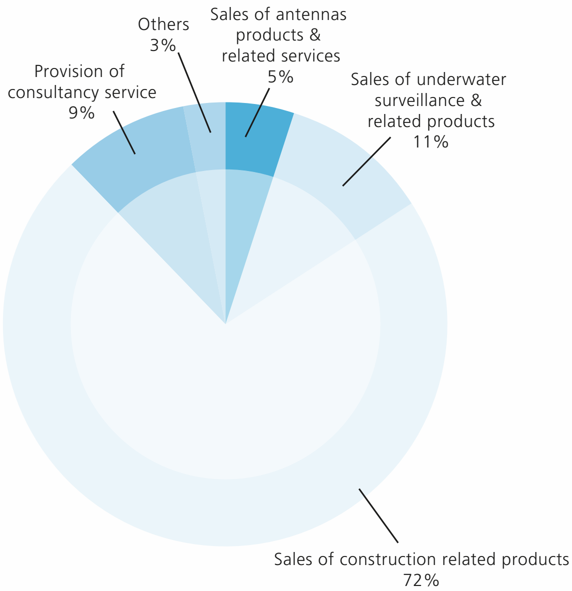
Loss for the period

Nevertheless revenue was increased by more than 55% and the overall operating expenses were decreased during the year, the decrease in gross profit margin, further impairment loss on impaired debts and decline in other revenue resulted in loss for the period of approximately RMB37.66 million which was approximately 71.6% greater than loss of approximately RMB21.94 million reported in 2015.

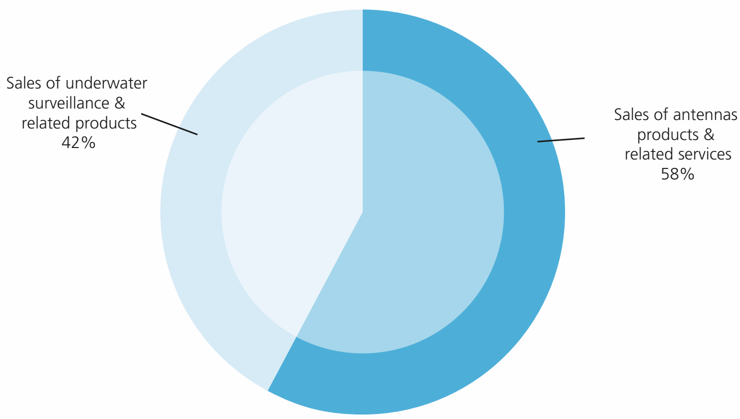
As a new subsidiary was incorporated during the year of which the Group held 51% equity interest, non-controlling interests were shown to account for the loss of the subsidiary.

Composite of revenue by reportable and operating segment for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, are provided as follows:

For the year ended 31 December 2016 (by reportable and operating segment)



For the year ended 31 December 2015 (by reportable and operating segment)



Management Discussion and Analysis

PROSPECTS

In 2017, the Group will continue to search for and reserve high-quality projects in the industries which the government vowed to vigorously support and promote, and accelerate its strategic adjustment to and transition of its products leveraging on its capital and experience of many years in investment management, while focusing on the development of the aerospace and marine equipment projects secured previously.

By the end of 2016, the Group has primarily completed the reservation of products and technologies in respect of aerospace and marine engineering equipment, mobile communications, agriculture and poultry farming, and built up a marketing network with Xi'an in the centre and Shanghai, Hebei and Hong Kong as the key areas. In 2017, the Group will continue to develop heavy-duty drones with longer battery life and waterproof automated marine engineering equipment while vigorously promoting the value-added services such as maintenance, testing and training for such products. Meanwhile, the Group will further expand its client base in such regions as Beijing and Europe, aiming to fully penetrate the market. It is expected that the Group will record new sales with substantial growth in 2017 and achieve strategic development of its new products and improve its operational performance.

Concerning the funds required for the sustainable development of the Group, apart from bank borrowings and revitalisation of our existing assets, the Company also intends to resort to other financing channels, such as new share issue and issue of bonds, as and when appropriate.

The Board and management of the Company will strive to turn the Group into a high-tech enterprise with diversified operations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During year, the Group was mainly financed by cash from banking facilities and borrowings. As at 31 December 2016, the Group had bank borrowings of approximately RMB10.00 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 6.52% 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 2016, the Group's gearing ratio was 12.3% (2015: 27.2%), which is calculated based on total interest-bearing borrowings of approximately RMB10.00 million over equity attributable to owners of the Company of approximately RMB81.54 million. Cash and cash equivalents increased approximately from RMB30.98 million to RMB 36.27 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 2016, 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 2016, the Group pledged bank deposits of approximately RMB0.01 million for the qualify of products sold to customers.

CONTINGENT LIABILITIES

As at 31 December 2016, except for those disclosed in Note 37 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 2016, the Group had 60 (2015: 93) full-time employees. Total staff costs for the year 2016 amounted to approximately RMB8.78 million (2015: RMB8.45 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 disclosed in Note 36 to the consolidated financial statements, the Group did not hold any significant investment for the year ended 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2016, 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 RMB23.21 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 2016.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, sales to the top five customers and the largest customer accounted for approximately 82.9% (2015: 83.4%) and 34.3% (2015: 28.9%) respectively of the Group's revenue.

For the year ended 31 December 2016, purchases from the top five suppliers and the largest supplier accounted for approximately 82.6% (2015: 68.4%) and 34.4% (2015: 17.7%) respectively of the Group's total purchases.

During the year ended 31 December 2016, 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.

UTILISATION OF NET PROCEEDS FROM EQUITY FUND RAISING ACTIVITIES

During the year ended 31 December 2016, utilisation of net proceeds from equity fund raising activities is as follows:

Issue of 400,000,000 domestic shares under specific mandate completed in full on 17 November 2015

Proposed use of net proceeds	Approximate proposed amount of net proceeds	Approximate utilised amount of net proceeds
Purchase of new office space and production plants	RMB15.00 million	RMB15.00 million
Research and development, production and operation of Xi'an Haitian Aerospace Technologies Co., Ltd.* (西安海天航空航天科技有限公司)	RMB16.50 million	RMB16.50 million
Research and development, production and operation of Xi'an Haitian Marine Technologies Co., Ltd.* (西安海天海洋科技有限公司)	RMB9.00 million	RMB9.00 million
Marketing of the Group and its products and services	RMB0.50 million	RMB0.50 million
Approximate amount raised/utilised	**RMB41.00 million**	**RMB41.00 million**

Issue of 92,000,000 H shares under general mandate completed in full on 28 April 2016

Proposed use of net proceeds	Approximate proposed amount of net proceeds	Approximate utilised amount of net proceeds
Repayment of bank loans	HK$24.50 million	HK$24.15 million
Working capital of the Group	HK$5.26 million	HK$5.61 million
Approximate amount raised/utilised	**HK$29.76 million**	**HK$29.76 million**

In respect of net proceeds for working capital of the Group, approximately HK$0.15 million was used for acquisition of property, plant and equipment and remaining balance of HK$5.46 million was used for operations.

Issue of 92,000,000 H shares under general mandate completed in full on 15 December 2016

Proposed use of net proceeds	Approximate proposed amount of net proceeds	Approximate utilised amount of net proceeds
Repayment of bank loans and interest expenses	HK$6.10 million	–
Working capital of the Group	HK$16.40 million	–
Approximate amount raised/utilised	**HK$22.50 million**	**–**

The unused net proceeds were deposited at bank for proposed use in the future.

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 2016.

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 2016, the Board comprised eleven Directors including Mr. Chen Ji (chairman) and Mr. Xiao Bing (vice-chairman) as executive Directors, Mr. Sun Wenguo (vice-chairman), Mr. Li Wenqi, Mr. Zuo Hong, Ms. Huang Jing and Mr. Yan Weimin as non-executive Directors and Mr. Zhang Jun, Professor Shi Ping, Mr. Tu Jijun and Mr. Laio Kang 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 2016, 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 of the Company 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 2016, 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 2016, the Board held 22 meetings.

Details of Directors' attendance records in 2016:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Chen Ji	21/22	0/2
Mr. Xiao Bing	21/22	2/2
Non-Executive Directors		
Mr. Sun Wenguo	19/22	0/2
Mr. Li Wenqi	21/22	2/2
Mr. Zuo Hong (appointed on 29 June 2016)	15/16	0/0
Ms. Huang Jing (appointed on 29 June 2016)	15/16	0/0
Mr. Yan Weimin (appointed on 29 June 2016)	15/16	0/0
Mr. Yan Feng (retired on 28 June 2016)	6/6	0/2
Mr. Xie Yiqun (retired on 28 June 2016)	5/6	0/2
Mr. Li Peng (retired on 28 June 2016)	6/6	1/2
Independent Non-Executive Directors		
Mr. Zhang Jun	21/22	0/2
Professor Shi Ping	21/22	2/2
Mr. Tu Jijun	21/22	1/2
Mr. Laio Kang (appointed on 29 June 2016)	15/16	0/0
Ms. Huang Jing (retired on 28 June 2016)	6/6	1/2

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 2016 according to the records provided by the Directors is as follows:

	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Chen Ji	✓
Mr. Xiao Bing	✓
Non-Executive Directors	
Mr. Sun Wenguo	✓
Mr. Li Wenqi	✓
Mr. Zuo Hong (appointed on 29 June 2016)	✓
Ms. Huang Jing (appointed on 29 June 2016)	✓
Mr. Yan Weimin (appointed on 29 June 2016)	✓
Mr. Yan Feng (retired on 28 June 2016)	✓
Mr. Xie Yiqun (retired on 28 June 2016)	✓
Mr. Li Peng (retired on 28 June 2016)	✓
Independent Non-Executive Directors	
Mr. Zhang Jun	✓
Professor Shi Ping	✓
Mr. Tu Jijun	✓
Mr. Laio Kang (appointed on 29 June 2016)	✓
Ms. Huang Jing (retired on 28 June 2016)	✓

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 Mr. Tu Jijun, an independent non-executive Director, and other members include Professor Shi Ping and Mr. Li Wenqi.

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 2016 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. Li Wenqi (appointed on 29 June 2016)	1/1
Mr. Sun Wenguo (retired on 28 June 2016)	1/1
Independent Non-Executive Directors	
Professor Shi Ping	2/2
Mr. Tu Jijun (appointed on 29 June 2016)	1/1
Ms. Huang Jing (retired on 28 June 2016)	1/1

During the financial year ended 2016, 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. Tu Jijun, an independent non-executive Director, and other members include Mr. Zhang Jun and Mr. Zuo Hong.

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 2 meetings in 2016 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. Zuo Hong (appointed on 29 June 2016)	1/1
Mr. Xie Yiqun (retired on 28 June 2016)	1/1
Independent Non-Executive Directors	
Mr. Zhang Jun	2/2
Mr. Tu Jijun (appointed on 29 June 2016)	1/1
Ms. Huang Jing (retired on 28 June 2016)	1/1

During the financial year ended 2016, 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, Professor Shi Ping and the other members are Mr. Laio Kang and Ms. Huang Jing, 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 2016.

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

The Audit Committee held 5 meetings in 2016 discussing the Group's annual results for 2015, quarterly results for 2016, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Ms. Huang Jing (appointed on 29 June 2016)	3/3
Mr. Li Wenqi (retired on 28 June 2016)	2/2
Independent Non-Executive Directors	
Professor Shi Ping (appointed on 29 June 2016)	3/3
Mr. Laio Kang (appointed on 29 June 2016)	3/3
Mr. Zhang Jun (retired on 28 June 2016)	2/2
Ms. Huang Jing (retired on 28 June 2016)	2/2

During the financial year ended 2016, 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 2016, the fees paid and payable to external auditor for audit services and other services amounted to RMB550,000 and RMB80,724 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 of the Company may send written enquiries to the Company. Shareholders of the Company 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 of the Company 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 2016, there are following changes in the Company's articles of association:

– Relocation of the Company's head office
– Change in share capital and shareholding structure in respect of new issue of H shares and transfers of domestic shares of the Company

Details of changes are more particularly described in the circulars of the Company dated 25 November 2015 and 13 May 2016.

Environmental, Social and Governance Report

Since its incorporation, Xi'an Haitian Antenna Holdings Co., Ltd. has focused on developing mobile communication products and services, as well as marine project equipment, forming a well-established operation system that integrates research and development, production, marketing, installation and service. The Group valued its own research, development and innovation that it has developed over 400 kinds of antenna-related communication products for extensive application on the mobile telecommunication network in different provinces and cities across the nation. With over 50 patent technologies, the Group has also undertaken various key research projects of various related governmental departments. The Group has become one of the first "Innovative Enterprises" approved by the government in recognition of its efforts on innovation and achievements in research and development.

During the course of business expansion, the Group proactively fulfills its responsibility to the environment and society, implementing all kinds of pertinent measures for the sustainable development of the environment and society. We uphold the principle of "paying our gain from society back to society", striving to give back to society. Besides, understanding that loyal and conscientious employees are the key to our success, we spare no effort in building a safe and comfortable working environment for our employees while safeguarding their benefits, so that they can build splendid achievements for the Group without worries.

ENVIRONMENTAL PROTECTION

Emission Reduction

The Group strictly complies with the Environmental Protection Law of the People's Republic of China and other related legal requirements, and has obtained the Quality Management System Certification ISO19001_2008, proving its compliance with the requirements of related regulations. During the process of product design, the Group requires the use of materials that cause no pollution or those with pollution to the least extent while strictly prohibiting the use of materials that are explicitly forbidden by the national laws and regulations. Meanwhile, we have explicitly formulated procedures to handle each kind of waste, ensuring that the environmental impact caused by the operation complies with the national requirements. We have also carried out regular inspections on each department and worked closely with local environmental authority to monitor the effective execution of each measure.

No industrial waste gas is emitted during production and there is no waste water from cleaning the facilities. Only small amount of domestic waste water comes from employees, all of which is duly processed by septic tank. Despite the insignificant amount of waste water, we still strictly monitor the process to minimize the emission.

In addition, since the production process involves the operation of heavy machines, noises are produced to a certain extent. To protect the hearing of our employees and reduce the impact on the neighborhood, the Group maintains rigid requirements and standards while procuring machinery for production and selects facilities with lower noise level. We also proactively implements measures (such as methods of reducing, absorbing and shielding the noise) to ensure that the noise level is within in the range of industry standard and does not cause any noise pollution.

Solid waste of the Group is limited to a small amount of waste produced by the office, including toxic waste such as toner cartridges and ink cartridges (less than 10 units per year). We handle these solid wastes properly according to the Administrative Regulations on Chemical Products Safety and Administrative Regulations on Solid Waste. We have also formulated our own Administrative Regulations on Factory Domestic Wastes, providing clear guidelines to employees and minimize the impact on the environment.

Use of Resources

The Group understands that precious resources on earth are limited, and we should make wise use of resources and avoid wastage. In view of this we have formulated some codes of practices for each kind of resources, such as Administrative Regulations on Water-saving and Energy-saving of the Company, providing a detailed guide for employees to conserve energy in joint effort.

Under these regulations, we strictly implement the energy-saving management system, such as controlling the hydraulic pressure at points of water supply in order to prevent damage of the pipes and save water from resulting leakage. As for hardware, we only purchase water-saving equipment for water supply. For departments or production processes with higher consumption of water, we would reduce the consumption by selecting appropriate hardware of new technology and equipment to conserve water. On the other hand, the water-saving measures will not be fully effective without the cooperation of employees. Therefore, we proactively enhance the education on water conservation, raising the awareness of conserving water resources among employees and helping them form the habit of conserving water.

Thanks to our joint effort, the average monthly electricity consumption has been reduced by 10% from 14,000 kWh in 2015 to 12,600 kWh in 2016. Water consumption in 2016 is about 480 tons/month on average, which has significantly decreased by 20% from 600 tons/month on average in 2015.

The Environment and Natural Resources

The Group has formulated the Regulatory Compliance Assessment Procedures, pursuant to which a legal and regulatory compliance assessment is carried out by the quality department on a half-yearly basis. If any non-compliance is found, correction will be made in a timely manner and appropriate remedial actions will be taken.

A temporary assessment team is formed by the Quality Control Department with relevant personnel from the Administrative Department, Research and Development Department and Marketing Department before 31 December every year in order to conduct an environmental review on all areas of business by strictly following the standard of the relevant laws and regulations. The team would also compile a Regulatory Compliance Assessment Report on a yearly basis and take relevant follow-up actions.

Despite the fact that the impact on the environment and natural resources caused by the businesses of the Group is not significant, we have still formulated an emergency system for accidents and hazards which is held responsible by the administrative department. Furthermore, an "emergency response leading group", led by the general manager, is formed to lead the preparation for emergencies, emergency responses and corresponding recovery. In case of any material accident, respective departments can make effective responses and take follow-up actions according to the instruction by such emergency response leading group.

SOCIETY

Employment and Labor Practices

Labor Right

The Group highly values the benefits and welfare of the employees and strictly complies with the Labor Law of the PRC and other related regulations to maximize the benefits for our employees. We have formulated an established system for recruitment, remuneration, performance assessment and promotion. All employees are treated equally with no discrimination or nepotism. Any employee can earn corresponding rewards and chance of promotion for their outstanding performance and diligence according to the system. Additionally, reasonable allowance on telephone charges and transport fares are also provided to employees pursuant to related regulations. Under the established system, the salary, working hours and holiday of our employees are thoroughly secured.

Opinions from employees are highly valued by our management. We have established diversified communication channels between the management and employees to enhance the interaction so as to achieve more efficient operation. Under our joint effort, the working environment of employees can remain harmonious and stable, so that they can be more devoted to the Group.

Occupational Safety

Health and safety are priceless. Our employees are just like our own family. Their working safety is of vital importance. Apart from complying with the related requirements of Production Safety Law of the People's Republic of China and the Labor Law of the PRC, we have also formulated a set of safety and health policy applicable to all our employees, as well as putting forward comprehensive measures from the aspect of the system, trainings, precaution of hidden risks, occupational diseases and the like.

We strictly monitor the safety standard of the working environment and inspect the machines and related operating process regularly, ensuring full compliance for all aspect. In case of any hidden defect, the Group will take measures to rectify in order to prevent accidents from happening. At the same time, we have improved the management system and reduced the likelihood of work injuries and occupational diseases.

Furthermore, the administrative department is responsible for the safety and emergency response of the key areas, and ensuring that our fire safety specifications are in compliance with national standards. Regular fire drills are conducted to show exit routes to all employees. The administrative department reports to the management and relevant authorities regarding the details of accidents, and is responsible for coordination in handling emergencies and follow-up actions. Other functional departments are responsible for related on-site emergency preparedness, handling and recovery proposal, while the quality department is responsible for corresponding supervision and inspection. Through following the related system formulated by the Group, respective departments can carry out their duties and coordinate with each other to give a prompt response to any accidents and put the best remedial measures into practice.

Development and Training

The Group has a great demand for talents, knowing that skills and knowledge of employees are the key to our success. In order to strive for greater excellence, we proactively equip our employees in various aspects to maximize their potential and seek greater achievement with the Group.

In view of this, we have formulated an optimized system for the development and training of our employees, enhancing their related skills and knowledge from different aspects. Our human resources department coordinates with respective departments to evaluate the need of training and reports to the management for approval regarding the time and cost before arranging the training. Apart from induction training to learn their duties and required skills, employees will receive internal training (including lectures or talks) regularly in accordance with their needs and the needs of respective departments. Some outstanding employees could also obtain subsidy of external training for a better preparation for their promotion and greater duties.

Labor Standards

The Group strictly abides by the Labor Law of the PRC and other related provisions and has never recruited any person under 16 years old for any positions. Clear guidelines are stipulated internally within the Group. With well-established regulations for recruitment management, recruitment process for all employees is strictly in compliance with procedural instruction. All applicants must provide the original copy of identification documents to be verified by our staff. Furthermore, in case of any false identity, related persons will be reported to responsible authorities to handle.

Supply Chain Management

The Group places considerable emphasis on its impact upon the environment and society and the scope of control is extended to cover the supply chain, especially the related parties that have certain impact on the environment, such as material suppliers, outsourced parts processing plants, transport companies, waste disposal companies, cleaning companies. We have therefore formulated Environmental Administrative Regulations for Related Parties, building a sound procurement policy and corresponding control measures to strengthen the management of the supply chain. We have set rigorous requirements and standards for our suppliers to follow so that they can share the same responsibility in the employment, environmental, social and other aspects. In addition, we conduct regular reviews on our suppliers to check if they have fulfilled these responsibilities through means such as meetings, phone calls, questionnaires, making sure that they follow the standards of the Group and comply with the national regulations.

Product Responsibility

The Group is in rigorous compliance with the Production Safety Law of the People's Republic of China. Besides, internal regulations are stipulated by the Group to set a high standard for production, sales and after-sale services, securing delivery of safe and quality products and services.

Materials that are dangerous or hazardous to human body are prohibited in the production of our products. Strict surveillance and review processes are applied to respective production processes to ensure that the quality specifications of the products are met. All products are inspected rigorously before delivery with an aim to reduce the risk of recalling substandard products.

We have also formulated a clear guideline on strictly following the related laws and regulations of the PRC during the sales process. At the same time, a set of well-established procedures is formulated for handling complaints and recalling products. In case of any complaint, the Group will follow up immediately, make an assessment and conduct internal investigation on the cause of the incident in order to rectify and improve the situation properly and prevent similar incidents from happening.

The after-sale service team of our quality department and marketing department is responsible for monitoring advertising and labeling standards to comply with related regulatory requirements. In case of any non-compliance, the after-sale service team and related production and procurement departments will follow up immediately and solve the issue as soon as possible.

Anti-corruption

The Group has actively responded to the anti-corruption movement of the Chinese government in recent years and has rigorously complied with related provisions of the Anti-money-laundering Law of the People's Republic of China and the Criminal Law of the People's Republic of China. Explicit management rules are also set to standardize the behavior of all the employees.

In the meantime, a sound system is established for all employees to declare their interests according to the requirements to prevent any conflict of interests or transfer of interests. Moreover, diversified reporting channels, including phone calls and emails, are set so that all employees can play a part in the monitoring work. We will follow up any suspicious case reported, conduct in-depth investigations and take follow-up actions, and report the violators to the related authorities.

We intend to prevent corruption from happening in the first place, rather than solving it afterwards. Therefore, we have strengthened the education of anti-corruption by arranging related talks on the topic and providing relevant information to enhance the sense of anti-corruption. With our continuous effort, no employee is involved in any corruption so far.

Giving back to society

Since its foundation, the Group has actively shouldered social responsibilities and given back to society through engaging in charity work. Various charity events are approved and planned by the Office of the General Manager and the Board. We often communicate and interact with the community where we operate and engage in the activities organized by them in order to learn more about the local needs.

Apart from recruiting local people where we operate, we also offer working opportunities for the disabled. Over the years, we have donated money and materials for earthquake stricken areas and helped the poor in underprivileged areas for numerous times. We have established related agricultural product companies to support local agricultural development in order to alleviate the poverty problem. We spare no effort in various kinds of charity work to share the fruit of our success so as to give back to society and bring benefits to people.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Chen Ji (陳繼先生), aged 41, 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 became a director of Cloud Live Technology Group Co., Ltd.* (中科雲網科技集團股份有限公司), a company listed in the Shenzhen Stock Exchange, on 10 November 2016. Mr. Chen was an independent non-executive Director from 10 August 2012 to 13 April 2015, was appointed as an executive Director with effective from 13 April 2015, and became chairman of the Board since 29 June 2016.

Mr. Xiao Bing (肖兵先生), aged 51, 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 assistant to chairman of the Board 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 from 31 December 2012 to 28 June 2016, and was elected as a vice chairman of the Board since 29 June 2016.

Non-Executive Directors

Mr. Sun Wenguo (孫文國先生), aged 41, 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 and was elected as the vice chairman of the Board since 13 October 2006.

Mr. Li Wenqi (李文琦先生), aged 51, 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. Zuo Hong (左宏先生), aged 53, 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, was general manager of the Company from 31 December 2012 to 13 July 2016, and became vice general manager of the Company since 13 July 2016. Mr. Zuo was an executive Director for the period from 20 May 2007 to 8 April 2014, and was appointed as non-executive Director since 29 June 2016.

Ms. Huang Jing (黃婧女士), aged 32, 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 became a director of Cloud Live Technology Group Co., Ltd.* (中科雲網科技集團股份有限公司), a company listed in the Shenzhen Stock Exchange, on 10 November 2016. Ms. Huang was an independent Supervisor from 28 June 2013 to 13 February 2015 and an independent non-executive Director from 13 February 2015 to 28 June 2016, and was appointed as non-executive Director with effective from 29 June 2016.

Mr. Yan Weimin (燕衛民先生), aged 49, graduated from Central South University* (中南大學) in 1989 majoring in automation and obtained Executive Master of Business Administration of United Business Institutes in Belgium in 2009. He has 20 years experience in the trading of mineral products. During 1989 and 1997, Mr. Yan served in China Metallurgical Import & Export Company* (中國煉金進出口公司, currently known as Sinosteel Corporation* (中國中鋼集團公司)), mainly responsible for the trading of iron and manganese ore between the steel sector of China and companies in Australia. During 1997 and 2007, Mr. Yan served in Shanghai Aijian Holding Co., Ltd.* (上海愛建股份有限公司), in charge of the trading of mineral products and also involved in oil for food deal between United Nation and Iraq. Since 2007, Mr. Yan served as different posts, including the general manager of Shanghai Guohong Trading Co. Ltd.* (上海國弘貿易有限公司) and the chairman of Shanghai Yingyue Industrial Co. Ltd.* (上海鷹悅實業有限公司). In additions, he was appointed as a non-executive director of Honbridge Holdings Ltd.* (洪橋集團有限公司), a company listed on the Stock Exchange, from 2010 and was responsible for the communication with China's steel conglomerates, mining corporations, port and mining construction enterprises. Mr. Yan was an executive Director for the period from 8 April 2014 to 13 February 2015, and was appointed as non-executive Director since 29 June 2016.

Independent Non-Executive Directors

Mr. Zhang Jun (張鈞先生), aged 48, 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 was 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.

Professor Shi Ping (師萍教授), aged 67, holds a doctoral 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 included 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), and independent director of Guangyuyuan Chinese Medicine Co., Ltd.* (廣譽遠中藥股份有限公司). 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 50, 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.

Mr. Laio Kang (廖康先生), aged 54, obtained Bachelor of Communication Engineering from Jilin University* (吉林大學) in July 1983, Master of Business Administration from China Europe International Business School in July 2005 and Doctor of Business Administration from ESC Rennes School of Business in May 2011. Mr. Laio has rich working experience in telecommunication and capital investment including: engineer and vice supervisor of Gansu Post and Telecommunication Design Institute* (甘肅郵電設計院) from August 1983 to March 1991, deputy division chief and major project supervisor of planning division of Gansu Post and Telecommunication Authority* (甘肅郵電管理局計劃處) from April 1991 to December 1994, deputy chief and chief of Lanzhou Telecommunication Bureau* (蘭州市電信局) from January 1995 to May 2001, deputy general manager of China Telecom Gansu Telecom Company* (中國電信甘肅省電信公司) from May 2001 to October 2003, chairman and general manager of China Telecom Guizhou Telecom Company* (中國電信貴州省電信公司) from August 2003 to February 2012, secretary of party committee of China Telecom Shanghai Research Institute* (中國電信上海研究院) from March 2012 to March 2013, vice president of Origin Capital Management Company* (歐瑞創新投資管理公司) from March 2013 to December 2014, and chairman of Yingde (Shanghai) Investment Management Company* (穎得(上海)投資管理公司) since January 2014. He was appointed as an independent non-executive Director since 29 June 2016.

SUPERVISORS

Mr. Wang Xiaokun (王曉坤先生), aged 47, 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 47, 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. Yan Feng (閆鋒先生), aged 43, 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 promoter and shareholder of the Company. Mr. Yan joined the Company as a non-executive Director from 9 November 2012 to 28 June 2016 and was appointed as a shareholder representative Supervisor since 29 June 2016.

Mr. Li Tianzuo (李天佐先生), aged 44, graduated from Electronic Engineering Department of Southeast University* (東南大學) at Nanjing in Jiangsu province with a bachelor degree in July 1995. Mr. Li worked at research and development department of State-owned Xi'an Datang Telecom Company* (西安大唐電信公司) from 1995 to 2000 and engaged in early stage of research and design of program control exchange for the State. He served as product manager of Shanghai Jinglun Communication Co., Ltd.* (上海精倫通信有限公司) from May 2000 to October 2002 and engaged in design and development of new generation of soft-switching communication products. Since November 2002, Mr. Li joined the development department of the Company to organise research, development, design and production for full-band wireless communication products, communication base station and long term evolution (LTE) equipment system and became the head of development department of the Company. He was elected as a supervisor representing staff and workers of the supervisory committee of the Company since 29 June 2016.

Mr. Shen Hongxiu (沈洪秀先生), aged 50, graduated from Accountancy Department of Shanghai University of Finance and Economics* (上海財經大學) in June 1989 and obtained Master of Professional Accountancy from Shanghai University of Finance and Economics in 2001. Mr. Shen served as financial controller from July 2010 to October 2013 and general manager from October 2013 to January 2014 for Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司). Mr. Shen was financial controller of the Company from May 2014 to February 2015 and served as general manager of Haitian Antenna (Shanghai) International Trade Co., Ltd.* (海天天綫(上海)國際貿易有限公司), a wholly-owned subsidiary of the Company, since May 2014. He was elected as a supervisor representing staff and workers of the supervisory committee of the Company since 29 June 2016.

SENIOR MANAGEMENT

Mr. Wang Yun (王贇先生), aged 36, 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 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. Xu Hao (徐浩先生), aged 45, 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 worked in the finance department of the Company since March 2005 and is now the Financial Controller. Mr. Xu was a staff Supervisor from 18 April 2008 to 17 April 2014 and from 11 September 2015 to 28 June 2016.

Mr. Wu Aiqing (吳愛清先生), aged 36, graduated as accounting profession from Zhongnan University of Economics and Law* (中南財經政法大學). Mr. Wu served as staff member and head of finance department at First Tractor Company Limited* (第一拖拉機股份有限公司) and YTO Group Corporation* (中國一拖集團有限公司) from July 2004 to December 2007, served as the investment director of Shanghai Xinzhuo Investment Consulting Co., Ltd.* (上海信卓投資諮詢有限公司) from January 2008 to March 2009, served as vice president of investment department of a wholly-owned subsidiary of Zhuhai Huafa Group Limited* (珠海華發集團有限公司) from March 2009 to July 2011, and served as deputy general manager and chief financial officer at a Zhuhai Yide Petrochemical Co., Ltd.* (珠海市一德石化有限公司) from August 2011 to May 2014. Since June 2014, Mr. Wu joined Haitian Antenna (Shanghai) International Trade Co., Ltd.*(海天天綫(上海)國際貿易有限公司), a wholly-owned subsidiary of the Company, as head of finance department. He was appointed as a vice general manager of the Company since 29 June 2016.

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 all shareholders,

During the year ended 31 December 2016, 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 all 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 2016 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 2016 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 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

Shen Hongxiu
Chairman

Xi'an, the PRC
24 March 2017

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2016.

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, agricultural and forestry used unmanned aerial vehicles and provisions of consultancy service.

The principal activities of its subsidiaries are set out in Note 36 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2016.

DISTRIBUTABLE RESERVES

In accordance with the Articles 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 2016.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2016 is set out on page 96 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB1.51 million on plant and equipment and approximately RMB5.12 million on construction of properties 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.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 30 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 46 of this annual report and note 38 to the consolidated financial statements respectively.

DIRECTORS AND SUPERVISORS

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

Executive Directors:
Mr. Chen Ji (chairman)
Mr. Xiao Bing (vice-chairman)

Non-Executive Directors:
Mr. Sun Wenguo (vice-chairman)
Mr. Li Wenqi
Mr. Zuo Hong (appointed on 29 June 2016)
Ms. Huang Jing (appointed on 29 June 2016)
Mr. Yan Weimin (appointed on 29 June 2016)
Mr. Yan Feng (retired on 28 June 2016)
Mr. Xie Yiqun (retired on 28 June 2016)
Mr. Li Peng (retired on 28 June 2016)

Independent Non-Executive directors:
Mr. Zhang Jun
Professor Shi Ping
Mr. Tu Jijun
Mr. Laio Kang (appointed on 29 June 2016)
Ms. Huang Jing (retired on 28 June 2016)

Supervisors:
Mr. Wang Xiaokun
Mr. Zhang Yi
Mr. Yan Feng (appointed on 29 June 2016)
Mr. Li Tianzuo (appointed on 29 June 2016)
Mr. Shen Hongxiu (appointed on 29 June 2016)
Mr. Bai Fubo (retired on 28 June 2016)
Ms. Shen Yi (retired on 28 June 2016)
Mr. Xu Hao (retired on 28 June 2016)

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 2019 subject to renewal upon approval by shareholders of the Company for one or more consecutive terms of three years.

   In accordance with the provisions of the Articles of the Company, 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 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%	21.45%
Mr. Chen Ji (陳繼先生)	Spouse interest	189,844,804 *(Note 2)*	21.44%	12.40%
Mr. Zuo Hong (左宏先生)	Interest in controlled corporation	75,064,706 *(Note 3)*	8.48%	4.90%

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	8.28%	3.49%

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. 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.

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) ("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 31 December 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 31 December 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%	21.45%
Professor Xiao Liangyong (肖良勇教授)	Parties acting in concert	328,363,637 *(Note 1)*	37.09%	21.45%
Ms. Yao Wenli (姚文俐女士)	Interest in controlled corporation	328,363,637 *(Note 1)*	37.09%	21.45%
Gaoxiang Investment	Beneficial owner	189,844,804 *(Note 2)*	21.44%	12.40%

Name of shareholder	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Ms. Sun Xiangjun (孫湘君女士)	Interest in controlled corporation	189,844,804 *(Note 2)*	21.44%	12.40%
Ms. Gao Xuejuan (高雪娟女士)	Interest in controlled corporation	189,844,804 *(Note 2)*	21.44%	12.40%
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%	6.53%
Shenzhen Huitai	Beneficial owner	75,064,706 *(Note 3)*	8.48%	4.90%
Ms. Yi Li (易麗女士)	Interest in controlled corporation	75,064,706 *(Note 3)*	8.48%	4.90%
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%	4.57%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 *(Note 4)*	7.91%	4.57%
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%	3.53%
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%	3.53%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	2.26%	1.31%
Hongshi (Shanghai) Investment Consultancy Ltd.* (宏獅(上海)投資諮詢有限公司)	Beneficial owner	18,500,000	2.09%	1.21%
Shanghai Maokou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	2.09%	1.21%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	1.24%	0.71%

Long positions in H Shares

Name of shareholder	Capacity	Number of H Shares *(Note 6)*	Approximate % in total issued H Shares	Approximate % in total issued Shares
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	74,000,000 *(Note 7)*	11.46%	4.83%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Beneficial owner and interest in controlled corporation	124,440,000 *(Note 7)*	19.27%	8.13%
Zeal Warrior Investments Limited	Interest in controlled corporation	124,440,000 *(Note 7)*	19.27%	8.13%
Ms. Chen Wei (陳瑋女士)	Interest in controlled corporation	124,440,000 *(Note 7)*	19.27%	8.13%
Auspicious Zone Investments Limited (彩域投資有限公司)	Beneficial owner	76,000,000 *(Note 8)*	11.77%	4.96%
Sure Rosy Global Investments Limited (順盛環球投資有限公司)	Interest in controlled corporation	76,000,000 *(Note 8)*	11.77%	4.96%
Mr. Wang Mingyue (王明月先生)	Interest in controlled corporation	76,000,000 *(Note 8)*	11.77%	4.96%
Huang Li Hou (黃李厚)	Beneficial owner	58,912,000	9.12%	3.85%
Clear Renown Global Limited (朗譽環球有限公司)	Beneficial owner	42,000,000 *(Note 9)*	6.50%	2.74%
Creative Eagle Holdings Limited (創鷹控股有限公司)	Interest in controlled corporation	42,000,000 *(Note 9)*	6.50%	2.74%
Mr. Zhang Qin (張勤先生)	Interest in controlled corporation	42,000,000 *(Note 9)*	6.50%	2.74%

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. 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.

3. 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. 74,000,000 H Shares are held by Hongkong Jinsheng Enterprise Co., Limited, which is beneficially owned by Oceanic Bliss Holdings Limited ("Oceanic Bliss"), and 50,440,000 H Shares are held by Oceanic Bliss, which is beneficially owned by Zeal Warrior Investments Limited ("Zeal Warrior"). Ms. Chen Wei is beneficial owner of Zeal Warrior. By virtue of the SFO, each of Oceanic Bliss, Zeal Warrior is deemed to be interested in the same 124,440,000 H Shares.

8. 76,000,000 H Shares are held by Auspicious Zone Investments Limited, which is beneficially owned by Sure Rosy Global Investments Limited ("Sure Rosy"). Mr. Wang Mingyue is beneficial owner of Sure Rosy. By virtue of the SFO, each of Sure Rosy and Mr. Wang Mingyue is deemed to be interested in the same 76,000,000 H Shares.

9. 42,000,000 H Shares are held by Clear Renown Global Limited, which is beneficially owned by Creative Eagle Holdings Limited ("Creative Eagle"). Mr. Zhang Qin is beneficial owner of Creative Eagle. By virtue of the SFO, each of Creative Eagle and Mr. Zhang Qin is deemed to be interested in the same 42,000,000 H Shares.

Saved as disclosed above, as at 31 December 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 31 December 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.

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 TRANSACTIONS

During the year, the Company has not undertaken and/or approved significant and discloseable connected transactions with any connected persons (as defined under the GEM Listing Rules).

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions", 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.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

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 2016.

CONTINGENT LIABILITIES

Except as these disclosed in Note 37 to the consolidated financial statements, the Group did not have any material contingent liability as at 31 December 2016.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 10 to 16 of the annual report.

PRE-EMPTIVE RIGHTS

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

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 2016 and as at the date of this report.

CHANGE OF REGISTERED OFFICE

The address of registered office, head office and principal place of business in the PRC of the Company has changed to No.25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the PRC.

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

Chen Ji
Chairman

Xi'an, the PRC
24 March 2017

Independent Auditor's Report

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF XI'AN HAITIAN ANTENNA HOLDINGS CO., LTD.
西安海天天綫控股股份有限公司
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Xi'an Haitian Antenna Holdings Co., Ltd. and its subsidiaries (the "Group") set out on pages 43 to 95, which comprise the consolidated statement of financial position as at 31 December 2016, and 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on intangible assets

Refer to note 16 to the consolidated financial statements and the accounting policies on page 59.

The key audit matter	How the matter was addressed in our audit
As at 31 December, 2016, the Group has intangible assets RMB7,362,464. For the purpose of assessing impairment, these intangible assets were allocated to cash generating units ("CGUs"), and the recoverable amount of the CGUs were determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessment, significant management judgement was used to appropriately identify CGUs and to determine the key assumptions, including operating margins, terminal growth rates and discount rates, underlying the value-in-use calculations. Management has concluded that there is no impairment in respect of the intangible assets and property, plant and equipment.	Our procedures in relation to management's impairment assessment of the Group's business on sales of unmanned aerial products included: We assessed management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business; We assessed the value-in-use calculations methodology adopted by management; We assessed management's cash flow projections to consider if the projections included assumptions that were overly optimistic; We assessed the reasonableness of key assumptions (including operating margins, terminal growth rates and discount rates) based on our knowledge of the business and industry; and We reconciled input data to supporting evidence, such as approved budgets and considered the reasonableness of these budgets.

The recoverability and impairment assessment on deposit for acquisition of leasehold land and building

Refer to note 17 to the consolidated financial statements and the accounting policies on page 59.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the Group's had balance of deposit paid amounted to RMB18,546,000 for acquisition of leasehold land and building. The assessment of the existence of any indicators of impairment of the carrying amount of the deposit is judgemental. In the event that indicators are identified, the assessment of the recoverable amounts of the deposits is also judgemental. Overall there has been a continuous loss that has been recognised during 2016. We had identified the carrying amount of the deposit as a key audit matter because of its significance to the consolidated financial statements. Applying the Group's accounting policies in this area involves high degree of judgement by management in considering the recoverable amount assessment.	Our procedures in relation to management's impairment assessment of the Group's deposit for acquisition of leasehold land and building included: We assessed the reasonableness of the recoverable amount determined by the management; We reviewed the valuation reports conducted by independent external valuers at the date of acquisition and as at 31 December 2016 respectively, evaluated the independent external valuers' competence, capabilities and objectivity; We reviewed the legal opinion from an independent lawyer that there is no issue identified in the transfer of title in the transaction.

Impairment assessment on trade receivable

Refer to note 20 to the consolidated financial statements and the accounting policies on page 60.

The key audit matter	How the matter was addressed in our audit
The Group has balance of trade receivables amounted to RMB14,862,836 as at 31 December 2016. We identified the valuation of trade receivables as a key audit matter due to the use of estimates and involves high degree of judgement by management.	Our procedures in relation to management's impairment assessment on the outstanding trade receivables. We reviewed the aging analysis of the trade receivables throughout the year to understand the settlement patterns by the customers; We discussed the indicators of possible impairment of the trade receivables with the management team and, where such indicators were identified, assessed whether the management performed impairment assessment. We assessed the reasonableness of impairment assessment of trade receivables with reference to the credit history included default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

Impairment assessment of amounts due from related parties

Refer to note 22 to the consolidated financial statements and the accounting policies on page 60.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the Group's had amounts due from related parties amounted to RMB 26,730,669 included amount due from 西安海天投資控股有限公司 ("海天投資") of RMB26,500,669, which is owned as to 25% by Xiao Bing, an executive director of the Company. No impairment provision had been made over these balances. We had identified the carrying amount of amounts due from related parties as a key audit matter because this area involves high degree of judgment by management in considering the nature and timing which might affect the recoverability assessment.	Our procedures in relation to management's impairment assessment on amounts due from related parties included: We had checked to the subsequent settlement of the amounts due from related parties after the end of the reporting period and assessed if impairment was necessary for past due receivables.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
24 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 RMB	2015 RMB
Revenue	7	36,243,095	23,337,552
Cost of sales		(33,486,186)	(17,518,031)
Gross profit		2,756,909	5,819,521
Other revenue	8	3,096,364	6,885,352
Distribution costs		(2,027,143)	(2,903,775)
Administrative expenses		(18,902,061)	(20,145,847)
Impairment loss recognised in respect of trade receivables	20	(21,580,035)	(9,422,376)
Impairment loss recognised in respect of other receivables and prepayments	21	(241,984)	(520,878)
Finance costs	9	(758,333)	(1,642,478)
Loss before tax		(37,656,283)	(21,930,481)
Income tax expense	10	–	(5,565)
Loss and total comprehensive expense for the year	11	(37,656,283)	(21,936,046)
Attributable to:			
– Owners of the Company		(37,653,811)	(21,936,046)
– Non-controlling interests		(2,472)	–
		(37,656,283)	(21,936,046)
Loss per share			
– Basic and diluted	14	(2.66 cents)	(2.34 cents)

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 RMB	2015 RMB (Restated)
Non-current assets			
Property, plant and equipment	15	8,109,992	2,900,585
Intangible assets	16	7,362,464	-
Deposits for acquisition of non-current assets	17	20,428,500	1,453,750
Prepayments	21	302,397	-
		36,203,353	4,354,335
Current assets			
Inventories	19	2,842,695	3,106,902
Trade receivables	20	14,862,836	26,619,878
Other receivables and prepayments	21	6,273,544	27,317,703
Amounts due from related parties	22	26,730,669	26,500,669
Amounts due from director and supervisor	23	907,406	–
Pledged bank deposits	18	5,100	5,100
Bank balances and cash	18	36,269,114	30,976,946
		87,891,364	114,527,198
Current liabilities			
Trade payables	25	18,966,050	12,495,651
Other payables and accrued charges	26	10,675,959	12,732,912
Tax payables		18,534	69,771
Amounts due to directors	24	400	147,430
Bank and other borrowings	27	10,000,000	20,000,000
		39,660,943	45,445,764
Net current assets		48,230,421	69,081,434
Net assets		84,433,774	73,435,769

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 RMB	2015 RMB (Restated)
Capital and reserves			
Share capital	*30*	**153,105,882**	134,705,882
Reserves	*31*	**(71,569,636)**	(61,270,113)
Equity attributable to owners of the Company		**81,536,246**	73,435,769
Non-controlling interests		**2,897,528**	–
Total equity		**84,433,774**	73,435,769

The consolidated financial statements on pages 43 to 95 were approved and authorised for issue by the board of directors on 24 March 2017 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 2016

	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*	Sub-total *RMB*	Non-controlling interest *RMB*	Total *RMB*
At 1 January 2015	64,705,882	71,228,946	16,153,228	15,856,279	(159,379,334)	8,565,001	–	8,565,001
Loss and total comprehensive expense for the year	–	–	–	–	(21,936,046)	(21,936,046)	–	(21,936,046)
Shares issued	70,000,000	16,806,814	–	–	–	86,806,814	–	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	–	73,435,769
Contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	2,900,000	2,900,000
Loss and total comprehensive expense for the year	–	–	–	–	(37,653,811)	(37,653,811)	(2,472)	(37,656,283)
Shares issued	18,400,000	27,354,288	–	–	–	45,754,288	–	45,754,288
At 31 December 2016	**153,105,882**	**115,390,048**	**16,153,228**	**15,856,279**	**(218,969,191)**	**81,536,246**	**2,897,528**	**84,433,774**

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB	2015 RMB
OPERATING ACTIVITIES		
Loss before tax	**(37,656,283)**	(21,930,481)
Adjustments for:		
Allowance for inventories	**1,210,870**	1,257,817
Reversal of allowance for inventories	**(2,874,808)**	(3,077,624)
Depreciation of property, plant and equipment	**1,420,940**	247,704
Finance costs	**758,333**	1,642,478
Government grants received	**(191,750)**	–
Government grants amortised	**(1,118,300)**	(1,123,200)
Loss on disposal of property, plant and equipment	**867**	6,699
Impairment loss recognised in respect of trade receivables	**21,580,035**	9,422,376
Impairment loss reversed in respect of trade receivables	**(914,714)**	(1,780,628)
Impairment loss recognised in respect of other receivables and prepayments	**241,984**	520,878
Impairment loss reversed in respect of other receivables and prepayments	**(395,461)**	(242,871)
Interest income	**(46,337)**	(43,544)
Waiver of trade payables	**–**	(1,163,455)
Waiver of other payables	**–**	(679,921)
Operating cash flows before movements in working capital	**(17,984,624)**	(16,943,772)
Decrease in inventories	**1,928,145**	1,148,082
(Increase) decrease in trade receivables	**(8,908,279)**	61,211,538
Decrease (increase) in other receivables and prepayments	**22,160,989**	(23,187,459)
(Increase) decrease in trade payables	**6,470,399**	(62,576,555)
Decrease in other payables and accrued charges	**(938,653)**	(12,515,824)
Cash used in operating activities	**2,727,977**	(52,863,990)
Income tax paid	**(51,237)**	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**2,676,740**	(52,863,990)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 *RMB*	2015 *RMB*
INVESTING ACTIVITIES		
Deposit for acquisition of leasehold land and building	(18,546,000)	–
Payment for development of intangible assets	(7,362,464)	–
Deposit for acquisition of property, plant and equipment	(1,882,500)	–
Purchase of property, plant and equipment	(6,631,214)	(2,919,477)
Repayment to directors	–	(539,397)
Advance to a director	(907,406)	–
Advance to related parties	(230,000)	–
Interest received	46,337	43,544
Withdrawal of pledged bank deposits	–	85,329
Proceeds from disposal of available-for-sale investment	188,000	800,000
NET CASH USED IN INVESTING ACTIVITIES	(35,325,247)	(2,530,001)
FINANCING ACTIVITIES		
Issue of shares	45,754,288	86,806,814
Government grants received	191,750	–
Contribution from non-controlling interests	2,900,000	–
Repayment of bank and other borrowings	(10,000,000)	–
Repayment of amounts due to directors	(147,030)	–
Interest paid	(758,333)	(1,642,478)
NET CASH FROM FINANCING ACTIVITIES	37,940,675	85,164,336
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,292,168	29,770,345
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	30,976,946	1,206,601
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	36,269,114	30,976,946

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

Xi'an Haitian Antenna Holdings 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, agricultural and forestry used unmanned aerial vehicles and provisions of consultancy service. Details of the principal activities of the subsidiaries are disclosed in Note 36.

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 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

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.

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

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

1 Effective for annual periods beginning on or after January 1, 2018.

2 Effective for annual periods beginning on or after January 1, 2019.

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

4 Effective for annual periods beginning on or after January 1, 2017.

5 Amendments to HKFRS 12 are effective for annual periods beginning on or after 1 January 2017 and Amendments to HKFRS 1 and Amendments to HKAS 28 are effective for annual periods beginning on or after 1 January 2018.

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 2015 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 have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. It is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) 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.

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

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 result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective. HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non controlling interests having a deficit balance.

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.

Non-controlling interests in a subsidiary are presented separately from the Group's equity therein.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 other than construction in progress, 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;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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. 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, amounts due from related parties, amounts due from director and supervisor, 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)*

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 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 (2015: 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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

Key sources of estimation uncertainty *(Continued)*

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 2016, the carrying amount of property, plant and equipment of the Group was RMB8,109,992 (2015: RMB2,900,585).

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 2016, the carrying amount of inventories was RMB2,842,695 (2015: RMB3,106,902), net of allowance for inventories of RMB7,003,154 (2015: RMB8,667,092).

Estimated impairment of trade receivables, deposits, other receivables and prepayments and amounts due from related parties

The policy for making impairment loss on trade receivables, deposits, other receivables and prepayments amounts due from director and supervisor and amounts due from related parties 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. Amounts due from director, supervisor and related parties are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. 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 2016, the carrying amount of the trade receivables was RMB14,862,836 (2015: RMB26,619,878), net of allowance for impairment of RMB52,833,342 (2015: RMB33,307,891). While the carrying amount of other receivables and prepayments are RMB6,575,941 (2015: RMB27,317,703), net of allowance for impairment of RMB2,547,300 (2015: RMB2,700,777).

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

Key sources of estimation uncertainty *(Continued)*

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 higher of value-in-use and fair value less cost of disposal. 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 2016, the carrying amount of property, plant and equipment of the Group was RMB8,109,992 (2015: RMB2,900,585). No impairment has been made during the years ended 31 December 2016 and 2015.

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 27, 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

	2016 ***RMB***	2015 *RMB*
Financial assets		
Loan and receivables (including cash and cash equivalents)	**78,884,953**	87,491,986
Financial liabilities		
At amortised cost	**39,066,209**	40,451,155

b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from related parties, amounts due from director and supervisor, 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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 2016 (2015: 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 and trade receivables of the Group are denominated in currencies other than the group entity's functional currency. Such bank balances and trade receivables are exposed to fluctuations in the value of RMB against the relevant currencies in which these bank balances and trade receivables 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	
	2016	2015	**2016**	2015
	RMB	*RMB*	***RMB***	*RMB*
HKD	**20,723,272**	2	**–**	–
USD	**304,567**	12,270,376	**–**	–

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% (2015: 5%) increase and decrease in RMB against USD and HKD for the year ended 31 December 2016. 5% (2015: 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% (2015: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax loss for the year where RMB strengthen 5% (2015: 5%) against the relevant currency. For a 5% (2015: 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	
	2016	2015	**2016**	2015
	RMB	*RMB*	***RMB***	*RMB*
Loss after tax	**777,123**	–	**11,421**	460,139

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 27). 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 (2015: 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 (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by RMB151,321 (2015: increase/decrease by RMB128,945). This is mainly attributable to the Group's exposure to interest rates on its bank and other borrowings, bank balance and cash.

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 2016, 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.

Amounts due from related parties are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, provision for impairment loss is made for estimated irrecoverable amounts. As at December 31, 2016 and 2015, the Group does not expect to incur a significant loss for uncollectable amounts due from these parties.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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 26% (2015: 38%) and 53% (2015: 80%) 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 81% (2015: 77%) and 19% (2015: 23%) of the total trade receivables as at 31 December 2016 respectively.

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 2016

	On demand or within one year and total undiscounted cash flows *RMB*	Carrying amount at 31 December 2016 *RMB*
Non-derivative financial liabilities		
Trade payables	18,966,050	18,966,050
Other payables and accrued charges	10,099,759	10,099,759
Amounts due to directors	400	400
Bank and other borrowings	10,432,496	10,000,000
	39,498,705	39,066,209

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables (Continued)

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

c) Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounting cash flow analysis.

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 segments are as follows:

– Sales of antennas products and related services

– Sales of underwater surveillance and related products

– Sales of unmanned aerial products

– Sales of construction related products

– Provision of consultancy services

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group was organised into three operating segments as sales of antennas products and rendering related services, underwater surveillance products and unmanned aerial products in 2015. Whereas, the Group established new subsidiaries and diversified its operations during the year. Accordingly, five reportable segments named above are presented in 2016.

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 2016

	Sales of antennas products and related services *RMB*	Sales of underwater surveillance and related products *RMB*	Sales of unmanned aerial products *RMB*	Sales of construction related products *RMB*	Provision of consultancy services *RMB*	Others *RMB*	Total *RMB*
REVENUE							
External sales	1,946,936	3,939,916	–	26,088,273	3,203,329	1,064,641	36,243,095
Segment profit (loss)	(10,589,575)	(11,435,002)	(40,580)	304,180	2,716,436	(400,137)	(19,444,678)
Unallocated income							848,156
Unallocated expenses							(18,301,428)
Finance costs							(758,333)
Loss before tax							(37,656,283)

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)

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, certain other revenue 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

	2016 *RMB*	2015 *RMB*
Sales of antennas products and related services	4,746,587	37,749,323
Sales of underwater surveillance and related products	5,522,082	17,067,656
Sales of unmanned aerial products	34,669,053	6,586,939
Sales of construction related products	16,177,411	–
Provision of consultancy services	204,702	–
Total segment assets	61,319,835	61,403,918
Unallocated assets	62,774,882	57,477,615
Consolidated total assets	124,094,717	118,881,533

Segment liabilities

	2016 *RMB*	2015 *RMB*
Sales of antennas products and related services	14,398,728	19,661,861
Sales of underwater surveillance and related products	4,819,525	5,411,483
Sales of unmanned aerial products	152,599	52,649
Sales of construction related products	10,254,541	–
Provision of consultancy services	17,018	–
Total segment liabilities	29,642,411	25,125,993
Unallocated liabilities	10,018,532	20,319,771
Consolidated total liabilities	39,660,943	45,445,764

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, amounts due from related parties, director and supervisor 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, amounts due to director 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 2016

	Sales of antennas products and related services RMB	Sales of underwater surveillance and related products RMB	Sales of unmanned aerial products RMB	Sales of construction related products RMB	Provision of consultancy services RMB	Unallocated RMB	Total RMB
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets	2,286,851	2,300,354	7,385,541	–	6,984	2,013,948	13,993,678
Depreciation of property, plant and equipment	(10,178)	(1,302,835)	(20,580)	–	(41,643)	(45,704)	(1,420,940)
Impairment losses recognised in respect of trade receivables	(11,912,039)	(9,667,996)	–	–	–	–	(21,580,035)
Impairment loss recognised in respect of other receivables and prepayments	(188,578)	(33,406)	(20,000)	–	–	–	(241,984)
Impairment loss recognised in respect of inventories	–	–	(1,210,870)	–	–	–	(1,210,870)
Reversal of allowance for inventories	2,874,808	–	–	–	–	–	2,874,808
Loss on disposal of property, plant and equipment	–	(867)	–	–	–	–	(867)
Impairment loss reversed in respect of trade receivables	303,484	610,690	–	–	–	–	914,174
Impairment loss reversed in respect of other receivables and prepayments	–	23,983	–	–	–	371,478	395,461
Amortisation of government grants received	1,310,050	–	–	–	–	–	1,310,050
Amounts regularly provided to the executive directors but not included in the measure of segment profit or loss:							
Interest income	–	–	–	–	–	46,337	46,337
Finance costs	–	–	–	–	–	758,333	758,333

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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 or segment assets:					
Additions to non-current assets	801,499	1,873,363	1,698,365	–	4,373,227
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:					
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)*

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	
	2016	2015	**2016**	2015
	RMB	*RMB*	***RMB***	*RMB*
The PRC (country of domicile)	**36,062,028**	23,283,337	**15,472,456**	2,900,585
Others	**181,067**	54,215	**–**	–
	36,243,095	23,337,552	**15,472,456**	2,900,585

All non-current assets are allocated to operating segments other than deposits for acquisition of non-current assets and prepayments.

Information about major customers

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

	2016	2015
	RMB	*RMB*
Customer A	**12,487,846**	N/A[1]
Customer B	**10,936,636**	N/A[1]
Customer C	**N/A[1]**	6,735,043
Customer D	**N/A[1]**	4,883,903
Customer E	**N/A[1]**	3,191,433
Customer F	**N/A[1]**	2,564,103

For the year ended 31 December 2016, all revenue generated from the major customers related to the sale of construction related products. For the year ended 31 December 2015, revenue generated from Customer C and Customer F which were related to sales of underwater surveillance and related products, whereas Customer D and Customer E which were related to sale of antennas products and related services.

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

8. OTHER REVENUE

	2016	2015
	RMB	*RMB*
Government grants *(Note)*	**191,750**	–
Government grants amortised *(Note 29)*	**1,118,300**	1,123,200
Impairment loss reversed in respect of trade receivables *(Note 20)*	**914,174**	1,780,628
Impairment loss reversed in respect of other receivables and prepayments *(Note 21)*	**395,461**	242,871
Waiver of trade payables	**–**	1,163,455
Waiver of other payables	**–**	679,921
Interest income	**46,337**	43,544
Net exchange gain	**13,388**	1,291,129
Testing service income	**104,529**	395,338
Sales of scrap materials	**266,518**	165,266
Others	**45,907**	–
	3,096,364	6,885,352

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

	2016	2015
	RMB	*RMB*
Interests on bank and other borrowings	**758,333**	1,642,478

10. INCOME TAX EXPENSE

	2016	2015
	RMB	*RMB*
Under-provision in prior years:		
PRC Enterprise Income Tax	**–**	5,565

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2016 and 2015 as there was no assessable profit for the years.

10. INCOME TAX EXPENSE *(Continued)*

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:

	2016 *RMB*	2015 *RMB*
Loss before tax	(37,656,283)	(21,930,481)
Tax at the domestic income tax rate of 25% (2015: 25%)	(9,414,071)	(5,482,620)
Tax effect of expenses not deductible for tax purpose	165,149	282,652
Tax effect of income not taxable for tax purpose	(1)	(1)
Tax effect on tax losses not recognised	5,690,732	3,915,630
Tax effect of deductible temporary differences not recognised	2,581,747	1,639,288
Utilisation of tax loss previously not recognised	–	(381,192)
Effect of different tax rate of a subsidiary operating in other jurisdiction	976,444	26,243
Under-provision in prior years	–	5,565
Income tax expense	–	5,565

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

11. LOSS FOR THE YEAR

	2016 *RMB*	2015 *RMB*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,299,064	247,704
Auditor's remuneration		
– audit services	550,000	530,000
– other services	80,724	260,234
Amount of inventories recognised as an expense	35,150,124	19,337,838
Staff costs		
– Directors' and supervisors' remuneration *(Note 12)*	2,355,591	1,666,080
– Salaries, wages and other benefits	5,431,210	5,875,846
– Retirement benefit scheme contributions (excluding directors and supervisors)	990,988	908,957
Total staff costs	8,777,789	8,450,883
Loss on written-off of property, plant and equipment	867	6,699
Allowance for inventories (included in cost of sales)	1,210,870	1,257,817
Reversal of allowance for inventories (included in cost of sales)	(2,874,808)	(3,077,624)
Exchange difference, net	(13,388)	(1,291,129)
Minimum lease payments under operating leases	–	956,929
Research and development costs recognised as an expense	1,365,278	1,528,019

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

Directors' emoluments

The emoluments paid or payable to each of the fifteen (2015: fourteen) directors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Executive directors								
Xiao Bing	**–**	–	**500,000**	425,258	**39,387**	37,035	**539,387**	462,293
Chen Ji (Appointed on 13 April 2015)	**–**	–	**500,000**	381,818	**–**	–	**500,000**	381,818
Yan Weimin (Resigned on 13 April 2015)	**–**	–	**–**	37,367	**–**	–	**–**	37,367
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 (Resigned on 28 June 2016)	**–**	–	**3,000**	6,000	**–**	–	**3,000**	6,000
Yan Feng (Resigned on 28 June 2016)	**–**	–	**3,000**	6,000	**–**	–	**3,000**	6,000
Li Peng (Appointed on 21 August 2015; and resigned on 28 June 2016)	**–**	–	**151,771**	418,518	**3,724**	3,495	**155,495**	422,013
Zuo Hong (Appointed on 29 June 2016)	**–**	–	**201,690**	–	**16,205**	–	**217,895**	–
Yan Weimin (Appointed on 29 June 2016)	**–**	–	**3,000**	–	**–**	–	**3,000**	–
Huang Jing (Appointed on 29 June 2016)	**–**	–	**162,500**	–	**–**	–	**162,500**	–
Independent non-executive directors								
Zhang Jun	**–**	–	**12,000**	12,000	**–**	–	**12,000**	12,000
Chen Ji (Resigned on 13 April 2015)	**–**	–	**–**	3,000	**–**	–	**–**	3,000
Bao Yujie (Resigned on 13 February 2015)	**–**	–	**–**	2,000	**–**	–	**–**	2,000
Huang Jing (Appointed on 13 February 2015; and resigned on 28 June 2016)	**–**	–	**6,000**	12,000	**–**	–	**6,000**	12,000
Shi Ping (Appointed on 13 April 2015)	**–**	–	**12,000**	9,000	**–**	–	**12,000**	9,000
Tu Jijun (Appointed on 21 August 2015)	**–**	–	**12,000**	4,000	**–**	–	**12,000**	4,000
Laio Kang (Appointed on 29 June 2016)	**–**	–	**6,000**	–	**–**	–	**6,000**	–
Total	**–**	–	**1,584,961**	1,328,961	**59,316**	40,530	**1,644,277**	1,369,491

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

Directors' emoluments *(Continued)*

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.

Supervisors' remunerations

The emoluments paid or payable to each of the eight (2015: five) supervisors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Supervisors								
Bai Fubo (Resigned on 28 June 2016)	–	–	3,000	6,000	–	–	3,000	6,000
Huang Jing (Resigned on 13 February 2015)	–	–	–	–	–	–	–	–
Shen Yi (Resigned on 28 June 2016)	–	–	21,000	40,000	–	–	21,000	40,000
Xu Hao (Appointed on 11 September 2015; Resigned on 28 June 2016)	–	–	123,592	216,203	16,313	24,386	139,905	240,589
Zhang Yi (Appointed on 21 August 2015)	–	–	12,000	4,000	–	–	12,000	4,000
Wang Xiaokun (Appointed on 30 June 2015)	–	–	12,000	6,000	–	–	12,000	6,000
Shen Hongxiu (Appointed on 29 June 2016)	–	–	324,000	–	83,483	–	407,483	–
Li Tianzuo (Appointed on 29 June 2016)	–	–	100,440	–	12,486	–	112,926	–
Yan Feng (Appointed on 29 June 2016)	–	–	3,000	–	–	–	3,000	–
Total	–	–	599,032	272,203	112,282	24,386	711,314	296,589

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 2016 and 2015.

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

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining two (2015: two) individuals were as follows:

	2016 *RMB*	2015 *RMB*
Salaries and other benefits	**750,520**	841,425
Retirement benefit scheme contributions	**116,001**	32,650
	866,521	874,075

Their emoluments were within the following band:

	2016 Number of employees	2015 Number of employees
Nil to HK$1,000,000 (equivalent to RMB895,833 (2015: equivalent to RMB834,653))	**2**	2

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:

	2016 Number of employees	2015 Number of employees
Nil to HK$1,000,000 (equivalent to RMB895,833 (2015: equivalent to RMB834,653))	**1**	2

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 2016 and 2015.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: 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 RMB37,653,811 (2015: RMB21,936,046) and the weighted average number of 1,414,282,868 (2015: 938,209,509) 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 2016 and 2015.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB	Plant and machinery RMB	Furniture, fixtures and equipment RMB	Leasehold improvement RMB	Construction in progress RMB	Total RMB
COST						
At 1 January 2015	–	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
Additions	1,349,171	81,897	78,019	–	5,122,127	6,631,214
Written-off	–	–	(17,353)	–	–	(17,353)
Transfer from construction in progress	–	–	450,893	4,924,111	(5,375,004)	–
At 31 December 2016	2,016,316	4,903,228	3,483,382	4,924,111	1,521,436	16,848,473
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	–	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
Provided for the year	164,634	193,158	150,454	912,694	–	1,420,940
Eliminated on written-off	–	–	(16,486)	–	–	(16,486)
At 31 December 2016	199,482	4,740,021	2,886,284	912,694	–	8,738,481
CARRYING VALUES						
At 31 December 2016	1,816,834	163,207	597,098	4,011,417	1,521,436	8,109,992
At 31 December 2015	632,297	274,468	219,507	–	1,774,313	2,900,585

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
Leasehold improvement	5 years

16. INTANGIBLE ASSETS

	Development costs RMB	Technological know-how RMB	Development in progress RMB	Total RMB
COST				
At 1 January 2015, 31 December 2015	62,385,900	10,000,000	–	72,385,900
Addition for the year (Note)	–	–	7,362,464	7,362,464
At 31 December 2016	62,385,900	10,000,000	7,362,464	79,748,364
AMORTISATION AND IMPAIRMENT				
At 1 January 2015, 31 December 2015 and 2016	62,385,900	10,000,000	–	72,385,900
CARRYING VALUES				
At 31 December 2016	–	–	7,362,464	7,362,464
At 31 December 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

Note: During the year, the Group had entered into an agreement with a gyroplane manufacturing company to provide technical service in relation to the development of unmanned aerial vehicles ("UAVs") according to the technical parameters and mission required by the Group. The intangible assets are expected to be amortised on a straight-line basis over 5 years.

For the purpose of impairment testing of the intangible assets in progress, the assets have been allocated to the CGU of UAVs.

The CGU of UAVs composed of assets required for UAVs business. The recoverable amount of the CGU is determined based on value-in-use calculations. This calculation use cash flow projections based on financial budget approved by management covering a 5-year period. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates.

17. DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

	2016 RMB	2015 RMB (Restated)
Deposit for acquisition of leasehold land and building (Note)	18,546,000	–
Deposit for acquisition of property, plant and equipment	1,882,500	1,453,750
	20,428,500	1,453,750

Note: During the year, the Group acquired a piece of leasehold land and building for office premises at a consideration of RMB40,000,000. The acquisition had not been completed as at 31 December 2016 as the transfer of title was not completed.

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 (2015: RMB5,100) have been pledged to secure the quality of the products sold to certain customers which will be expired within one year (2015: within one year) and are therefore classified as current assets (2015: 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:

	2016 RMB	2015 RMB
HKD	20,723,272	2
USD	304,567	286,381

19. INVENTORIES

	2016 RMB	2015 RMB
Raw materials	1,143,006	1,934,770
Work-in-progress	55,175	130,730
Finished goods	1,644,514	1,041,402
	2,842,695	3,106,902

During the year ended 31 December 2016, a reversal of allowance for inventories of RMB2,874,808 (2015: RMB3,077,624) has been recognised as the corresponding inventories were either sold or used.

20. TRADE RECEIVABLES

	2016 RMB	2015 RMB
Trade receivables	**67,696,178**	59,927,769
Less: allowance for impairment loss	**(52,833,342)**	(33,307,891)
	14,862,836	26,619,878

In general, 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.

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

	2016 RMB	2015 RMB
Within 60 days	**14,651,509**	9,490,425
61 to 120 days	**73,200**	2,396,247
121 to 180 days	**–**	161,650
181 to 365 days	**138,127**	14,226
Over 365 days	**–**	14,557,330
Total	**14,862,836**	26,619,878

Included in the Group's trade receivable balance are trade receivables with aggregate carrying amount of RMB14,862,836 (2015: RMB3,519,835) 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:

	2016 RMB	2015 RMB
Within 60 days	**14,651,509**	48,126
61 to 120 days	**211,327**	89,097
121 to 180 days	**–**	–
181 to 365 days	**–**	440,807
Over 365 days	**–**	2,941,805
Total	**14,862,836**	3,519,835

Receivables that were past due but not impaired related to a number of customers that are the major enterprises 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 allowance for impairment of trade receivables is as follows:

	2016	2015
	RMB	*RMB*
At 1 January	**33,307,891**	25,666,143
Impairment loss recognised	**21,580,035**	9,422,376
Amounts written off as uncollectible	**(1,140,410)**	–
Reversal of impairment loss recognised in previous years	**(914,174)**	(1,780,628)
At 31 December	**52,833,342**	33,307,891

Receivables of Nil (2015: RMB23,100,043) 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:

	2016	2015
	RMB	*RMB*
USD	**–**	11,984,082

21. OTHER RECEIVABLES AND PREPAYMENTS

	2016	2015
	RMB	*RMB*
		(Restated)
Non-current portion:		
Prepayments	**302,397**	-
Current portion:		
Other receivables	**2,657,128**	5,611,321
Prepayments	**6,163,716**	24,407,159
	8,820,844	30,018,480
Less: impairment loss recognised	**(2,547,300)**	(2,700,777)
	6,273,544	27,317,703

21. OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Included in other receivables is an amount of RMB1,139,580 (2015: RMB3,334,941) in respect of advances to employees. The advances are interest-free, unsecured and repayable on demand.

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 allowance for impairment of other receivables and prepayments is as follows:

	2016 ***RMB***	2015 *RMB*
At 1 January	**2,700,777**	2,422,770
Impairment loss recognised	**241,984**	520,878
Reversal of impairment loss recognised in previous years	**(395,461)**	(242,871)
At 31 December	**2,547,300**	2,700,777

22. AMOUNTS DUE FROM RELATED PARTIES

Particulars of amounts due from related parties are as follow:–

Name of related parties	**Relationship**	**Outstanding amount at 01/01/2016** *RMB*	**Outstanding amount at 31/12/2016** *RMB*	**Amount fallen due but not been paid** *RMB*	**Allowance for impairment made** *RMB*
西安海天投資控股有限公司(「西安海天投資」)	Common director and shareholder	26,500,669	**26,500,669**	26,500,669	–
陝西天地通通信發展有限公司(「陝西天地通」)	Controlled by director	–	**230,000**	230,000	–
		26,500,669	**26,730,669**	26,730,669	–

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

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

Zuo Hong is the non-executive director of the Company and the substantial shareholder of 陝西天地通, of which is owned as to 90% by Zuo Hong for the year ended 31 December 2016.

23. AMOUNTS DUE FROM DIRECTOR AND SUPERVISOR

Director's and supervisor's current accounts disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) is as follows:

	2016 *RMB*	2015 *RMB*
Amounts due from director and supervisor	907,406	–

The amounts due from director and supervisor are unsecured, interest-free and repayable on demand.

Particulars of amounts due from director and supervisor are as follow:

Name of directors and supervisors	Outstanding amount at 01/01/2016 *RMB*	Outstanding amount at 31/12/2016 *RMB*	Maximum outstanding *RMB*	Amount fallen due but not been paid *RMB*	Allowance for impairment made *RMB*
Zuo Hong	–	842,671	842,671	842,671	–
Xu Hao	–	64,735	64,735	64,735	–
	–	907,406	907,406	907,406	–

24. AMOUNTS DUE TO DIRECTORS

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

25. 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.

	2016 *RMB*	2015 *RMB*
Within 60 days	11,470,291	3,399,133
61 to 120 days	–	7,157,616
121 to 365 days	879,428	271,207
Over 365 days	6,616,331	1,667,695
Total	18,966,050	12,495,651

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.

26. OTHER PAYABLES AND ACCRUED CHARGES

	2016 RMB	2015 RMB
Receipt in advance	**388,000**	736,697
Accrued salaries	**3,677,850**	3,528,938
Other payables *(Note i)*	**6,421,909**	7,160,777
Deferred income *(Note ii) (Note 29)*	**188,200**	1,306,500
	10,675,959	12,732,912

Notes:

i. Included in other payables is temporary advances of RMB1,000,000 (2015: RMB1,500,000) 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 development and industrialisation of antenna.

27. BANK AND OTHER BORROWINGS

	2016 RMB	2015 RMB
Bank borrowings		
– Secured	**10,000,000**	20,000,000
Carrying amount repayable:		
On demand or within one year	**10,000,000**	20,000,000
Less: Amounts due within one year shown under current liabilities	**(10,000,000)**	(20,000,000)
Amounts shown under non-current liabilities	**–**	–

27. BANK AND OTHER BORROWINGS *(Continued)*

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

	2016	2015
	RMB	*RMB*
Fixed-rate bank borrowings	**10,000,000**	20,000,000

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

	2016	2015
Effective interest rate:		
Fixed-rate bank borrowings	**6.52%**	7.8%

During the years ended 31 December 2016 and 2015, Xiao Bing, an executive director of the Company, and his close family member pledged certain properties to a bank to secure the bank borrowings.

28. DEFERRED TAXATION

As at 31 December 2016, the Group has unused tax losses of RMB81,090,676 (2015: RMB54,421,974) 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 2016, the Group also had deductible temporary differences of RMB70,577,288 (2015: RMB60,250,300). 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

	2016	2015
	RMB	*RMB*
At 1 January	**1,306,500**	2,429,700
Amortised during the year	**(1,118,300)**	(1,123,200)
At 31 December	**188,200**	1,306,500
Analysis for reporting purposes as:		
Current liabilities *(Note 26)*	**188,200**	1,306,500

The deferred income is government grants received by the Group which was related to 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. This policy has resulted in a credit to other revenue in the current period of RMB1,118,300 (2015: RMB1,123,200). As at 31 December 2016, an amount of RMB188,200 (2015: RMB1,306,500) remains to be amortised within one year and is therefore classified as current liabilities.

30. SHARE CAPITAL

	Number of shares 2016	Number of shares 2015	Share capital 2016 RMB	Share capital 2015 RMB
Domestic shares of RMB0.10 each				
Registered, issued and fully paid:				
At beginning of the financial year	**885,294,118**	485,294,118	**88,529,412**	48,529,412
Issue of shares	**–**	400,000,000	**–**	40,000,000
At the end of financial year	**885,294,118**	885,294,118	**88,529,412**	88,529,412
H shares of RMB0.10 each				
Registered, issued and fully paid:				
At beginning of the financial year	**461,764,706**	161,764,706	**46,176,470**	16,176,470
Issue of shares	**184,000,000**	300,000,000	**18,400,000**	30,000,000
At the end of financial year	**645,764,706**	461,764,706	**64,576,470**	46,176,470
	1,531,058,824	1,347,058,824	**153,105,882**	134,705,882

On 30 January 2015, 6 February 2015, 14 April 2015 and 28 April 2015, the Company issued and allotted 110,000,000, 50,000,000, 60,000,000 and 80,000,000 H shares of RMB0.10 each for consideration of HKD0.189 per share to shareholders. On 17 November 2015, the Company issued and allotted 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 shares in issue.

On 21 April 2016 and 28 April 2016, the Company issued and allotted 32,000,000 H shares and 60,000,000 H shares of RMB0.10 each for consideration of HKD0.33 per share to shareholders. On 15 December 2016, the Company issued and allotted another 92,000,000 H shares of RMB0.10 each for consideration of HKD0.25 per share to shareholders. These shares rank pari passu in all respects with other shares 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 2016 and 2015.

31. RESERVES *(Continued)*

(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:

	2016	2015
	RMB	*RMB*
Within one year	**–**	82,268

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

	2016	2015
	RMB	*RMB*
Capital commitments contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**23,205,244**	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 RMB1,162,586 (2015: RMB973,873) represents contributions payable to these schemes by the Group for the year ended 31 December 2016.

As at 31 December 2016 and 2015, 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:

	2016 RMB	2015 RMB
Bank deposits	5,100	5,100

35. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	2016 RMB	2015 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 years ended 31 December 2016 and 2015, 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.

(d) Compensation of key management personnel

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

	2016 RMB	2015 RMB
Short-term benefits	2,562,512	2,400,589
Other long-term benefits	188,768	97,566
	2,751,280	2,498,155

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

36. 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 2016	2015	Principal activities
Xaht Antenna Technologies (Hongkong) Limited	Hong Kong	Ordinary shares	HK$20,000,000 (2015: 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	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	Nil (2015: RMB1,500,000)	–	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	RMB20,000,000 (2015: RMB3,000,000)	100%	100%	Trading of construction related products and provision of consultancy services
Xi'an Haitian Marine Co., Ltd. *	PRC	Registered capital	RMB10,000,000	100%	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%	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%	100%	Inactive
Yi County Hailan Natural Agriculture Development Co., Ltd *	PRC	Registered capital	RMB10,000,000***	51%	–	Cultivation and trading of poultry and agricultural products

* 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 2016

Note: There was no business activity during 2016. The Group has cancelled the tax registration of Xi'an Hi-tech during the year and the subsidiary was deregistered on 20 January 2016.

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

37. 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 23 December 2013. The Company had contacted the Defendant A for the intention of negotiating the settlement arrangement. Subsequent to the year ended 31 December 2016, a mutual agreement on the settlement between the Company and the Defendant was still under negotiation and 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 2016 and 2015 as the amount of construction cost was included in other payables.

(b) 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 2015, 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. After retrial, the People's Court dismissed all the claims from the Plaintiff A. The Court has accepted the Plaintiff A's appeal on the retrial judgement and the case is still in progress as at 31 December 2016.

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 provision in the financial statement is required.

(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.

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

	2016 *RMB*	2015 *RMB*
Non-current assets		
Property, plant and equipment	6,620,427	2,649,499
Investment in subsidiaries	11,000,000	46,397,500
Intangible assets	–	–
Deposits for acquisition of non-current assets	18,546,000	–
	36,166,427	49,046,999
Current assets		
Inventories	19,303	523,493
Trade receivables	–	19,755,624
Other receivables and prepayments	604,675	3,654,773
Amounts due from subsidiaries	40,454,716	55,126,281
Amounts due from a related party	26,500,669	26,500,669
Amounts due from director and supervisor	23,952	–
Pledged bank deposits	5,100	5,100
Bank balances and cash	20,857,861	28,861,787
	88,466,276	134,427,727
Current liabilities		
Trade payables	6,797,638	6,634,379
Other payables and accrued charges	7,658,474	12,005,096
Amounts due to subsidiaries	15,409,754	15,279,815
	29,865,866	33,919,290
Net current assets	58,600,410	100,508,437
Net assets	94,766,837	149,555,436
Capital and reserves		
Share capital *(see note 30)*	153,105,882	134,705,882
Reserves *(note (i))*	(58,339,045)	14,849,554
Total equity	94,766,837	149,555,436

38. 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 2015	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
Loss and total comprehensive expense for the year	–	–	–	–	(100,542,887)	(100,542,887)
Shares issued	18,400,000	27,354,288	–	–	–	45,754,288
At 31 December 2016	153,105,882	115,390,048	16,153,228	15,856,279	(205,738,600)	94,766,837

39. COMPARATIVE FIGURES

As a result of the retrospective adjustment of the prepayment for acquisition of property, plant and equipment during the year, comparative figure of prepayment as set out in note 21 have been restated to conform with the current year's presentation.

Financial Summary

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
RESULTS					
Revenue					
– Sales of antennas products and related services	46,569,471	25,189,899	11,028,978	13,496,935	**1,946,936**
– Sales of underwater surveillance and related products	–	–	–	9,840,617	**3,939,916**
– Sales of unmanned aerial products	–	–	–	–	**–**
– Sales of construction related products	–	–	–	–	**26,088,273**
– Provision of consultancy services	–	–	–	–	**3,203,329**
– Others	–	–	–	–	**1,064,641**
	46,569,471	25,189,899	11,028,978	23,337,552	**36,243,095**
(Loss) profit before tax	9,688,840	(12,467,709)	(2,840,491)	(21,930,481)	**37,656,283**
Income tax credit (expense)	2,715,121	(2,726,801)	(782,442)	(5,565)	**–**
(Loss) profit and total comprehensive (expense) income for the year	12,403,961	(15,194,510)	(3,622,933)	(21,936,046)	**37,656,283**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
ASSETS AND LIABILITIES					
Total assets					
– Sales of antennas products and related services	162,840,093	172,008,445	132,603,552	37,749,323	**4,746,587**
– Sales of underwater surveillance and related products	–	–	–	17,067,656	**5,522,082**
– Sales of unmanned aerial products	–	–	–	6,586,939	**34,669,053**
– Sales of construction related products	–	–	–	–	**16,177,411**
– Provision of consultancy services	–	–	–	–	**204,702**
– Unallocated	–	–	–	57,477,615	**62,774,882**
	162,840,093	172,008,445	132,603,552	118,881,533	**124,094,717**
Total liabilities					
– Sales of antennas products and related services	(135,457,649)	(159,820,511)	(124,038,551)	(19,661,861)	**(14,398,728)**
– Sales of underwater surveillance and related products	–	–	–	(5,411,483)	**(4,819,525)**
– Sales of unmanned aerial products	–	–	–	(52,649)	**(152,599)**
– Sales of construction related products	–	–	–	–	**(10,254,541)**
– Provision of consultancy services	–	–	–	–	**(17,018)**
– Unallocated	–	–	–	(20,319,771)	**(10,018,532)**
	(135,457,649)	(159,820,511)	(124,038,551)	(45,445,764)	**(39,660,943)**
Total equity	27,382,444	12,187,934	8,565,001	73,435,769	**84,433,774**