西安海天天綫科技股份有限公司

Xi'an Haitian Antenna Technologies Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8227)

2013 Annual Report

* for identification purposes only

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This report, for which the directors (the "Directors") of Xi'an Haitian Antenna Technologies 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")
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National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province
The People's Republic of China

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Hong Kong

GEM STOCK CODE
8227

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www.htantenna.com

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

MEMBERS OF AUDIT COMMITTEE
Mr. Chen Ji (陳繼先生) (Chairman)
Mr. Zhang Jun (張鈞先生)
Mr. Li Wenqi (李文琦先生)

MEMBERS OF REMUNERATION COMMITTEE
Mr. Qiang Wenyu (強文郁先生) (Chairman)
Mr. Chen Ji (陳繼先生)
Mr. Sun Wenguo (孫文國先生)

MEMBERS OF NOMINATION COMMITTEE
Mr. Zhang Jun (張鈞先生) (Chairman)
Mr. Qiang Wenyu (強文郁先生)
Mr. Xie Yiqun (解益群先生)

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
Hopewell Centre, 17M Floor
183 Queen's Road East
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PRINCIPAL BANKERS

China Construction Bank
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National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province, The People's Republic of China

Shanghai Pudong Development Bank
No. 29 Bei Da Jie
Xin Cheng District
Xi'an, Shaanxi Province, The People's Republic of China

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Tang Yan International Center, No. 3 Tang Yan Road
National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province, The People's Republic of China

Industrial Bank
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Xi'an, Shaanxi Province, The People's Republic of China

Bank of Communications
Level 1, Block A, Chuangye Plaza, No. 48 Keji Road
National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province, The People's Republic of China

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual report of Xi'an Haitian Antenna Technologies Co., Ltd. together with its subsidiaries (the "Group") for the year ended 31 December 2013 on behalf of the board of Directors (the "Board").

Although China's 4G licenses have already been awarded officially in December 2013 by the PRC government, under the impact of a suppressed environment in the PRC communication industry as a whole and intensifying price competition in antenna market, the Group's results declined from that of last year. In tackling with the challenging macro-environment of unimpressive profitability in the 4G antennas market, the Group has adopted tightening control on enterprise scale and measures of income source expansion and cost reduction, undergone product structure reshuffling, and reduced capital expenditure in 4G antenna products. Our business operation has also placed stronger emphasis in focusing on communications-related services including network optimisation and network inspection and maintenance. The Group has also successfully diversified into mobile communication system module and related testing and tuning/adjusting businesses in the second half of 2013, and has begun to register sales results. This has enabled us to compensate for the deterioration in overall business performance resulted from steep fall in sales of antenna products, thereby laying a solid foundation for our product transformation and business development in 2014.

The Group plans to optimise resources allocation, make active R&D efforts on tapping into new business areas, maintain the existing niche and seek for additional financing channels in 2014, in order to get access to funds, grow into diversified operations and strive for better performance.

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

Xiao Bing
Chairman

Xi'an, the PRC
25 March 2014

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

Revenue recorded for the year ended 31 December 2013 was approximately RMB25.2 million, representing a significant decrease of approximately 45.9% from the year of 2012. Under prolonged market competition in existing product line of antennas and services for telecommunication industry throughout the year, both volume of sales and services were dropped together with reduction in price level. Although a new product line of radio-frequency module was introduced in the second half of 2013, it was merely accounted for approximately 3% of revenue for the year.

Nearly two-third of revenue was generated from sales of antenna and related products for the year whereas approximately 57% in 2012. Approximately 47% of revenue was come from sales of smart antenna for the year as a result of concentration in high-end products, but no such revenue was recognised in 2012.

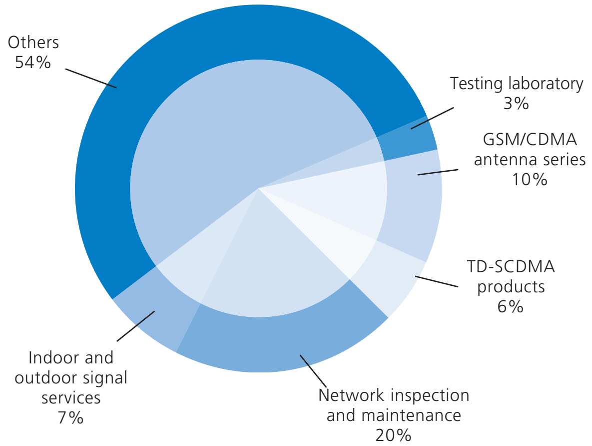
Revenue from GSM/CDMA antenna series products for the year was decreased from approximately RMB16.9 million in 2012 to approximately RMB2.6 million in 2013 due to termination of manufacture of 2G and 2.5G products for the whole year. Sales of TD-SCDMA products remained stable and were slightly decreased from approximately RMB2.5 million in 2012 to approximately RMB1.6 million in 2013 as more favourable price was given to customers.

Service income was mainly come from network inspection and maintenance services, indoor and outdoor signal services, and testing laboratory services. Facing to continuing intensive price competition, nevertheless sustained high demand for network improvement, overall service income was dropped by approximately RMB11.6 million for the year ended 31 December 2013 under low pricing strategy, representing a decrease of approximately 57.8% from last year. Revenue from network inspection and maintenance services and indoor and outdoor signal services contributed approximately 20% and 7% respectively to the revenue for the year, compared to approximately 21% and 17% respectively in 2012.

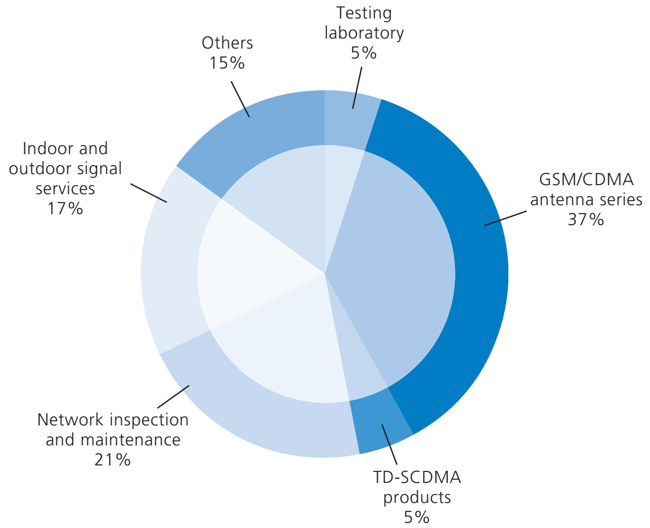
Merely 18% of revenue was generated from the three major telecommunication operators, compared to approximately 73% in 2012 under the policy of diversification of customer base to local agents and international suppliers for telecommunication facilities. More effort was devoted to the markets of smart antenna and radio-frequency module for market diversification during the year.

Composite of revenue by product line for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, are provided as follows:

For the year ended 31 December 2013 (by product line)

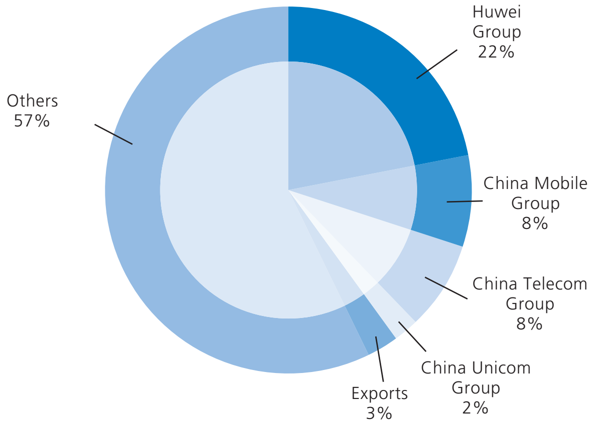


For the year ended 31 December 2012 (by product line)

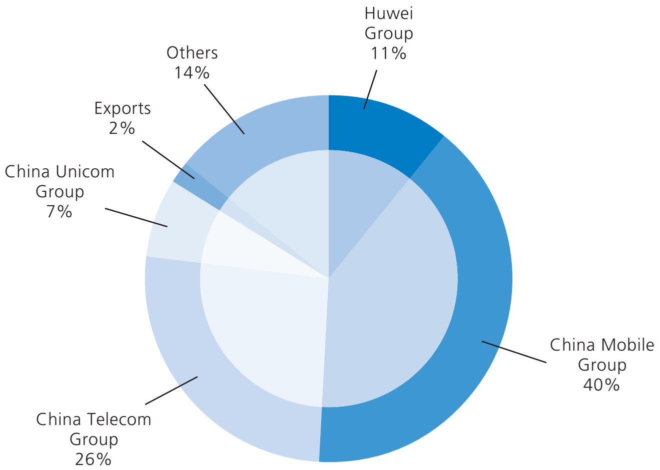


Composite of revenue by major customers for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, are provided as follows:

For the year ended 31 December 2013 (by major customers)



For the year ended 31 December 2012 (by major customers)



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

Gross Profit

Gross profit of approximately RMB4.2 million was recorded for the year with gross profit margin of 16.6%, representing a decrease of approximately 23.1% as comparing to gross profit margin of 21.6% in 2012. This unfavourable change was attributable to not only the reduction in price level in sales of antenna and related products and service income, but also the recognition of net allowance for inventories amounted to RMB0.9 million during the year, compared to reversal of the recognition of net allowance of RMB1.5 million in 2012.

Other Revenue

Other revenue recognised for the year ended 31 December 2013 was approximately RMB11.4 million, representing approximately 44.8% of other revenue in 2012. No revenue was recognised during the year in respect of gain on disposal of intellectual property rights, rental income and bad debts recovery, compared to approximately RMB6.3 million, RMB0.8 million and RMB1.5 million respectively in 2012. Impairment loss on trade receivables, other receivables and prepayments amounted to approximately RMB5.7 million, compared to approximately 7.7 million in 2012, was reversed for the year as a result of recovery from impaired debts. Gain on debts restructuring in respect of wavier of trade and other payables was accounted for approximately RMB3.3 million for the year, compared to approximately RMB6.7 million in 2012, which further reduced the Group's controversial business obligations and liabilities.

Operating Costs and Expenses

Distribution costs for the year were approximately RMB1.6 million, representing a decrease of approximately RMB1.0 million or 38.0% comparing to the year 2012, due to significant decrease in volume of sales and services. Staff costs were reduced by more than RMB0.4 million under performance evaluation and incentive management approach throughout the year together with the decrease in sales force.

The cost control strategy on operations was still effective that total administrative expenses were remained nearly unchanged, representing an increase by approximately RMB0.2 million or 2.0% comparing to the year 2012. Staff cost of approximately RMB1.0 million and research and development costs of approximately RMB0.4 million were saved for the year. In turn, approximately RMB1.2 million as commission for debts collection, approximately RMB1.3 million as costs and penalties of litigation and approximately RMB1.3 million as fixed assets written off were incurred during the year.

Approximately RMB1.4 million of finance costs were recognised during the year as approximately RMB44.2 million interest-bearing bank borrowings were raised during the year for the operations, comparing to RMB0.2 million in 2012.

Impairment loss on trade receivables amounted to approximately RMB5.3 million was recognised during the year that total impairment was more than 41.6% of total trade receivables as at 31 December 2013, which was greater than last year as compared to approximately 37.7% as at 31 December 2012. In additions, accumulated impairment of other receivables and prepayments increased from approximately 31.4% in 2012 to approximately 45.2% in 2013 after further recognition of RMB2.6 million during the year although total other receivables and prepayments were decreased from approximately RMB11.2 million at 31 December 2012 to approximately RMB10.0 million at 31 December 2013.

Because of termination of certain product lines of low profit margin, capitalised development costs under intangible assets of approximately RMB2.9 million were regarded as impairment loss for the year.

Further operating loss attributable to an associate of approximately RMB5.8 million was recognised during the year in according to equity interest held. Following disposal of 9.74% out of 15.38% equity interest in the associate, gain of approximately RMB5.1 million was recognised for the remaining equity interest on fair value basis.

Deferred tax asset of approximately RMB2.7 million was derecognised for the year in respect of unused tax losses due to the unpredictability of future profit streams.

Loss for the year

Consequently, loss attributable to shareholders of approximately RMB15.2 million was reported by the Group for the year which represented a turnaround from profit of approximately RMB12.4 million in the year 2012.

PROSPECTS

The Ministry of Industry and Information Technology of the PRC has officially distributed China's 4G licenses at the end of 2013. The three giant telecommunication operators of the PRC namely, China Mobile, China Telecom and China Unicom, have all been awarded with the first batch of 4G licenses. While market demand has picked up, price competition in the 4G antenna market has also evolved into a phase of more fiercely intense market competition with substantial fall in product profitability.

To cope with these circumstances, the Group will reduce subsequent expenditure in 4G antenna market, and turn to place more emphasis on communications-related services including network optimisation and network inspection and maintenance, and focus on accumulation of technology and market development in the area of mobile communication system module and related testing and tuning/adjusting businesses. The Group will strive to realise strategic product transformation in 2014, expand the scope of development of the Group, and thereby enhance the operating performance of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by cash from banking facilities and borrowings. As at 31 December 2013, the Group had bank borrowings of approximately RMB44.2 million and other borrowings advanced by the related parties of the Group of approximately RMB43.1 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 finance the export business.

During the year, all of the Group's interest-bearing borrowings borne interest rate ranging from 2.5% to 7.8% per annum. Majority of borrowings were denominated in RMB, those bank borrowings denominated in the United States Dollars are amounted to approximately RMB24.2 million. 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 2013, the Group's gearing ratio was 362.4% (2012: 36.5%), which is calculated based on total interest-bearing borrowings of approximately RMB44.2 million over total shareholders' funds of approximately RMB12.2 million. Cash and cash equivalents decreased approximately from RMB4.8 million to RMB1.5 million. Most of the Group's pledged bank deposits were deposited with banks to secure bank facilities and 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 2013, 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 2013, the Group pledged bank deposits of approximately RMB25.1 million for bank facilities and the qualify of products sold to customers.

CONTINGENT LIABILITIES

As at 31 December 2013, excepts for those disclosed in Note 39 to the consolidated financial statements, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Since most 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had approximately 56 (2012: 93) full-time employees. Total staff costs for the year 2013 amounted to approximately RMB4.5 million (2012: RMB6.9 million), including remuneration of the Directors and members of the supervisory committee (the "Supervisors"). The Group reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group has not granted any share options to the Directors and its employees.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries and available-for-sale investment in unlisted equity security, the Group did not hold any significant investment for the year ended 31 December 2013.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2013, the Group had no material capital expenditure contracted for but not provided in the financial statements.

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 2013.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2013, sales to the top five customers and the largest customer accounted for approximately 93.5% (2012: 89.8%) and 47.2% (2012: 39.5%) respectively of the Group's revenue.

For the year ended 31 December 2013, purchases from the top five suppliers and the largest supplier accounted for approximately 83.7% (2012: 71.3%) and 77.5% (2012: 52.5%) respectively of the Group's total purchases.

During the year ended 31 December 2013, the Group sold to and purchased from Xi'an Sunnada Haitian Antenna Co., Ltd. ("Xi'an Sunnada"), previously an associate of the Group, amounting to RMB2.1 million (2012: nil) and RMB1.5 million (2012: RMB21.4 million) respectively, which represented the fourth largest customer and the largest supplier to the Group respectively. Except for Xi'an Sunnada, each of the top five customers and the top five suppliers is independent of and not connected with any of the Directors, chief executives or any shareholders of the Company which, to the best knowledge of the Directors, own more than 5% of the Shares of the Company, or any of their respective associates.

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The board of directors (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 2013.

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 2013, the Board comprised nine Directors including Mr. Xiao Bing (chairman) and Mr. Zuo Hong as executive Directors, Mr. Sun Wenguo (vice-chairman), Mr. Li Wenqi, Mr. Yan Feng and Mr. Xie Yiqun (vice-chairman) as non-executive Directors and Mr. Zhang Jun, Mr. Chen Ji and Mr. Qiang Wenyu 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 2013, the Board has performed the corporate governance duties set out in the Code.

Delegation by the Board

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

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

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

The Separate Roles of Chairman and Chief Executive Officer

For the financial year ended 31 December 2013, 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 2013, the Board held 7 meetings.

Details of Directors' attendance records in 2013:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Xiao Bing	7/7	1/1
Mr. Zuo Hong	7/7	1/1
Non-Executive Directors		
Mr. Sun Wenguo	7/7	1/1
Mr. Li Wenqi	6/7	1/1
Mr. Yan Feng	5/7	0/1
Mr. Xie Yiqun	6/7	1/1
Independent Non-Executive Directors		
Professor Gong Shuxi (retired on 28 June 2013)	1/2	0/1
Mr. Zhang Jun (appointed on 28 June 2013)	3/5	0/0
Mr. Chen Ji	5/7	1/1
Mr. Qiang Wenyu	2/7	0/1

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 2013 according to the records provided by the Directors is as follows:

	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Xiao Bing	✓
Mr. Zuo Hong	✓
Non-Executive Directors	
Mr. Sun Wenguo	✓
Mr. Li Wenqi	✓
Mr. Yan Feng	✓
Mr. Xie Yiqun	✓
Independent Non-Executive Directors	
Professor Gong Shuxi (retired on 28 June 2013)	✓
Mr. Zhang Jun (appointed on 28 June 2013)	✓
Mr. Chen Ji	✓
Mr. Qiang Wenyu	✓

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. Qiang Wenyu, an independent non-executive Director, and other members include Mr. Sun Wenguo and Mr. Chen Ji.

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 7 meetings in 2013 and was attended by committee members. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Sun Wenguo	7/7
Independent Non-Executive Directors	
Mr. Chen Ji	5/7
Mr. Qiang Wenyu	2/7

During the financial year ended 2013, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

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

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 6 meetings in 2013 and was attended by committee members for the selection and recommendation of candidates for directorship having regard to the relevance of skills and experience appropriate to the Group's business. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Xie Yiqun	6/6
Independent Non-Executive Directors	
Professor Gong Shuxi (retired on 28 June 2013)	1/2
Mr. Zhang Jun (appointed on 28 June 2013)	3/4
Mr. Qiang Wenyu	2/6

During the financial year ended 2013, 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, Mr. Chen Ji and the other members are Mr. Zhang Jun and Mr. Li Wenqi, 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 2013.

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

The Audit Committee held 7 meetings in 2013 discussing the Group's annual results for 2012, quarterly results for 2013, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Non-Executive Director	
Mr. Li Wenqi	6/7
Independent Non-Executive Directors	
Professor Gong Shuxi (retired on 28 June 2013)	1/2
Mr. Zhang Jun (appointed on 28 June 2013)	3/5
Mr. Chen Ji	5/7

During the financial year ended 2013, 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 2013, the fees paid and payable to external auditor for audit services and other services amounted to RMB440,000 and RMB157,000 respectively.

INTERNAL CONTROL

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

Except for the amendments for the composition of the Board and the supervisory committee which were approved by a special resolution at the annual general meeting held on 28 June 2013, there is no significant change in the Company's articles of association during the financial year ended 2013.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xiao Bing (肖兵先生), aged 48, he is a son of Professor Xiao Liangyong, the founder of the Company. Mr. Xiao studied in the college of continuous education of Xidian University* (西安電子科技大學). 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 an executive Director and first assumed the post of the president of the Company since October 2000. Mr. Xiao Bing was the chairman of the Board from August 2004 to November 2007.

Mr. Zuo Hong (左宏先生), aged 50, 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 trainer 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. In December 2006, he served as assistant to the chief executive director of Xi'an Hi-tech Communication Equipment Co., Ltd.* (西安海泰科通訊設備有限公司), a subsidiary of the Company, since December 2006 and the head of the sales and marketing department of the Company since 2007.

Non-executive Directors

Mr. Sun Wenguo (孫文國先生), aged 38, 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 and Xi'an Gaoxin Hospital Co., Ltd.* (西安高新醫院有限公司). Currently, he holds the positions of the head of investment department and chairman of the supervisory committee of Xi'an Kaiyuan Investment Group Co., Ltd.* (西安開元投資集團股份有限公司) and he is also the supervisor of Xi'an Kaiyuan Shopping Mall Co., Ltd.* (西安開元商城有限公司). Xi'an Kaiyuan Investment Group Co., Ltd.* is a shareholder of the Company interested in approximately 15.45% of the issued share capital of the Company.

Mr. Li Wenqi (李文琦先生), aged 48, 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* (陝西絲綢進出口公司) as the deputy chief and manager of planning and finance department from October 1987 to April 1994 and from April 1994 to October 1997 respectively and the assistant to general manager and manager of planning and finance department from October 1997 to May 2001. He is an accountant and the chief accountant and manager of planning and finance department of Shaanxi Silk Import & Export Corporation* since May 2001. He joined the Company as a non-executive Director since October 2000.

Mr. Yan Feng (閆鋒先生), aged 40, 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 Jingtai Group* (京泰集團).

Mr. Xie Yiqun (解益群先生), aged 55. He was graduated from Northwest University of Politics & Law* (西北政法學院) in 1985 and worked in Xi'an Municipal Bureau of Finance* (西安財政局) until 1988. Since August 1988, Mr. Xie joined Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司). He was appointed as Internal Assistant Manager in 2000 and served as Asset Management Assistant General Manager in 2003. Chang'an International Trust Co., Ltd.* is a shareholder of the Company interested in approximately 10.84% of the issued share capital of the Company.

Independent non-executive Directors

Mr. Zhang Jun (張鈞先生), aged 45, 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). 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. Chen Ji (陳繼先生), aged 38, obtained Bachelor of Economics and Master of Business Administration from Shanghai University of Finance and Economics* (上海財經大學) in 1997 and 2003 respectively, and Master of Laws from Fudan University* (復旦大學) in 2009. Mr. Chen has sufficient experience in finance, internal control and management. Mr. Chen Ji 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 Xin Zhuo (China) Consulting Co., Ltd.* (信卓(中國)諮詢有限公司金融部) from December 2003 to January 2006. In February 2006, he joined Shanghai Hui Da Feng Law Firm* (上海市匯達豐律師事務所) as paralegal and became lawyer and partner during the period until October 2010. In October 2010, Mr. Chen established Shanghai Henglu Alliance Lawyers (Group) Firm* (上海恒律聯盟律師(集團)事務所) and have since assumed the office of founding partner.

Mr. Qiang Wenyu (強文郁先生), aged 40, graduated from the School of Management and Economics of Beijing Institute of Technology* (北京理工大學) in 1994 and joined the service of China North Industries Corporation* (中國北方工業公司) in 1995. In 1998, he served as general manager of NIC Sports Inc. In 2003, Mr. Qiang assumed office as the deputy general manager of Silver City International (Holdings) Limited and the general manager of Throne Star International Limited. Mr. Qiang is a non-executive director of Raymond Industrial Ltd., a company listed on the main board of the Stock Exchange. He was elected as an independent non-executive Director since December 2005.

SUPERVISORS

Ms. Huang Jing (黃婧女士), aged 29, 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. In 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. Ms. Huang was securities affairs representative of Shanghai Chenghai Enterprise Development Co.,Ltd.* (上海澄海企業發展股份有限公司) since May 2011.

Mr. Bai Fubo (白伏波先生), aged 56, possesses the qualification of engineer. In 1981 to 1985, he served consecutively as office secretary and deputy office supervisor of Xi'an Sewing Machine Factory* (西安縫紉機廠). In October 1985 to February 1994, he served as deputy supervisor of technology department of Xi'an First Bureau of the Light Industry* (西安市第一輕工業局). Since March 1994, he worked in Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司) and served consecutively as office secretary, deputy supervisor of sales department and manager of trust department. Mr. Bai currently serves as deputy general manager of sales department of Chang'an International Trust Co., Ltd.*. Chang'an International Trust Co., Ltd.* is a shareholder of the Company interested in approximately 10.84% of the issued share capital of the Company.

Mr. Xu Hao (徐浩先生), aged 42, graduated from Shaanxi Financial Technological College* (陝西財政專科學校) with a major in finance and possesses the qualification of accountant. In 1994 to 2000, he worked in the finance division of Xi'an State-owned Tractor Factory* (國營西安拖拉機製造廠). In January 2001 to September 2003, he 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). In October 2003 to February 2005, he served as project manager of Xi'an Pengguang Tax Agent & Bureau Co., Ltd.* (西安鵬光税務師税務所有限責任公司). Since March 2005, Mr. Xu has worked in the finance department of the Company.

SENIOR MANAGEMENT

Mr. Wang Yun (王贇先生), aged 33, 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. Since joining the Group in September 2002, he has served in the Securities Department, Finance Department and Administration Department as project manager as well as deputy director and director of the Administration Department. Since 2011, he served as secretary to the Board and administrative officer of the Group.

COMPANY SECRETARY

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

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2013, the supervisory committee of the Company (the "Supervisory Committee") thoroughly performed its duties faithfully in accordance with the provisions of the Company Laws of the PRC, GEM Listing Rules and the articles of association (the "Articles") of the Company. Adhering to the principles of safeguarding interests of the Shareholders and benefits of the staff of the Company, the Supervisors attended Board meetings, acquiring first-hand information of the Board's decision on marking important issues and effectively monitoring the Board and senior management of the Company in performing their duties, and providing reasonable recommendation and advice on the operations and development plans of the Company.

The Supervisory Committee considers that:

1. The Company's operation for the year 2013 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 2013 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

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

On behalf of the Supervisory Committee

Mr. Xu Hao
Chairman

Xi'an, the PRC
25 March 2014

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in research and development, manufacture and sale of base station antennas and related products.

The principal activities of its subsidiaries are set out in Note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2013.

DISTRIBUTABLE RESERVES

In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the principles generally accepted in Hong Kong. Based on the financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC, the Company does not have any reserves available for distribution to its equity holders as at 31 December 2013.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2013 is set out on page 86 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB0.1 million on plant and equipment to expand and upgrade its production capacity.

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

DIRECTORS AND SUPERVISORS

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

Executive directors:

Mr. Xiao Bing (Chairman)
Mr. Zuo Hong

Non-executive directors:

Mr. Sun Wenguo (Vice-chairman)
Mr. Li Wenqi
Mr. Yan Feng
Mr. Xie Yiqun (Vice-chairman)

Independent non-executive directors:

Professor Gong Shuxi (retired on 28 June 2013)
Mr. Zhang Jun (appointed on 28 June 2013)
Mr. Chen Ji
Mr. Qiang Wenyu

Supervisors:

Mr. Liu Yongqiang (retired on 28 June 2013)
Professor Shi Ping (retired on 28 June 2013)
Ms. Huang Jing (appointed on 28 June 2013)
Mr. Bai Fubo
Ms. Chen Hua (retired on 28 June 2013)
Mr. Xu Hao

1. Directors' and Supervisors' Service Contracts

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

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

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

2. Independent non-executive Directors

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

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

As at 31 December 2013, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company, including their respective associates, in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name of Director	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation	180,000,000 *(Note 1)*	37.09%	27.82%
Mr. Zuo Hong (左宏先生)	Personal	Held by controlled corporation	75,064,706 *(Note 2)*	15.47%	11.60%

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

Name of Director	Type of interest	Capacity	Number of H Shares held in the Company	Approximate percentage in the total issued H Shares of the Company	Approximate percentage in the total issued share capital of the Company
Mr. Zhang Jun (張鈞先生)	Personal	Beneficial owner	400,000	0.25%	0.06%

Notes:

1. The Domestic Shares were 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 Ms. Yao Wenli. By virtue of the SFO, Mr. Xiao Bing was deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.

2. The Domestic Shares were 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, each of Mr. Zuo Hong and Ms. Yi Li was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2013 as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2013, 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.

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

As at 31 December 2013, the following persons or entities (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(A) Substantial shareholders of the Company

Long positions in Domestic Shares of the Company

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Tian An Investment	Corporate	Beneficial owner	180,000,000 *(Note 1)*	37.09%	27.82%
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert	180,000,000 *(Note 1)*	37.09%	27.82%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 *(Note 1)*	37.09%	27.82%
Xi'an Kaiyuan Investment Group Co., Ltd.* (西安開元投資集團股份有限公司)	Corporate	Beneficial owner	100,000,000	20.61%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706 *(Note 2)*	15.47%	11.60%
Ms. Yi Li (易麗女士)	Personal	Held by controlled corporation	75,064,706 *(Note 2)*	15.47%	11.60%

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司)	Corporate	Beneficial owner	70,151,471 *(Note 3)*	14.46%	10.84%
Xi'an Finance Bureau* (西安市財政局)	Corporate	Held by controlled corporation	70,151,471 *(Note 3)*	14.46%	10.84%
Shanghai Zendai Investment Management Co., Ltd.* (上海証大投資管理有限公司)	Corporate	Held by controlled corporation	70,151,471 *(Note 3)*	14.46%	10.84%

Notes:

1. The Domestic Shares were held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by 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 was deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.

2. The Domestic Shares were held by Shenzhen Huitai, which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Ms. Yi Li was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.

3. The Domestic Shares were held by Chang'an International Trust Co., Ltd.* ("CITC"). By virtue of the SFO, Xi'an Finance Bureau* and Shanghai Zendai Investment Management Co., Ltd.*, which respectively holds more than one third of voting rights of CITC, were deemed to be interested in the same 70,151,471 Domestic Shares held by CITC.

(B) Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

Long positions in Domestic Shares of the Company

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心)	Corporate	Beneficial owner	54,077,941 *(Note 1)*	11.14%	8.36%
Beijing Holdings (Group) Limited* (京泰實業(集團)有限公司)	Corporate	Held by controlled corporation	54,077,941 *(Note 1)*	11.14%	8.36%

Long positions in H Shares of the Company

Name of substantial shareholder	Type of interest	Capacity	Number of H Shares held in the Company	Approximate percentage in the total issued H Shares of the Company	Approximate percentage in the total issued share capital of the Company
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 *(Note 2)*	8.04%	2.01%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 *(Note 2)*	6.50%	1.63%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 *(Note 2)*	5.44%	1.36%

Notes:

1. The Domestic Shares were held by Beijing Holdings Investment Management Co., Ltd.* ("Beijing Holdings"). By virtue of the SFO, Beijing Holdings (Group) Limited*, which holds more than one third of voting rights of Beijing Holdings, was deemed to be interested in the same 54,077,941 Domestic Shares held by Beijing Holdings.

2. The details of these shareholders of the Company were based on information as set out in the website of the Stock Exchange. The Company has not been notified by the relevant shareholders and has not received any Corporate Substantial Shareholder Notice from the relevant shareholders.

Save as disclosed above, as at 31 December 2013, the Directors, Supervisors and chief executives of the Company were not aware of any person (other than the Directors, Supervisors and chief executives of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES

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

CONNECTED TRANSACTION

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

CONTINGENT LIABILITIES

Except as these disclosed in Note 39 to the consolidated financial statements, the Group did not have any material contingent liability as at 31 December 2013.

CORPORATE GOVERNANCE

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

On behalf of the Board

Xiao Bing
Chairman

Xi'an, the PRC
25 March 2014

Independent Auditor's Report

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

TO THE SHAREHOLDERS OF
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.
西安海天天綫科技股份有限公司
(Established as a joint stock limited company incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 85, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
25 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	NOTES	2013 RMB	2012 RMB
Revenue	7	**25,189,899**	46,569,471
Cost of sales		**(21,001,320)**	(36,494,316)
Gross profit		**4,188,579**	10,075,155
Other revenue	8	**11,379,753**	25,425,620
Gain on disposal of assets classified as held for sale		**–**	2,263,963
Gain on disposal of partial interest in an associate	17	**5,135,783**	–
Distribution costs		**(1,563,169)**	(2,520,968)
Administrative expenses		**(13,669,180)**	(13,454,926)
Impairment loss recognised in respect of trade receivables	21	**(5,306,232)**	(9,438,553)
Impairment loss recognised in respect of other receivables and prepayments	22	**(2,624,957)**	(795,307)
Impairment loss recognised in respect of intangible assets	16	**(2,864,120)**	–
Share of result of an associate	17	**(5,791,249)**	(1,666,811)
Finance costs	9	**(1,352,917)**	(199,333)
(Loss) profit before tax		**(12,467,709)**	9,688,840
Income tax (expense) credit	10	**(2,726,801)**	2,715,121
(Loss) profit and total comprehensive (expense) income for the year	11	**(15,194,510)**	12,403,961
(Loss) earnings per share – Basic and diluted	14	**(2.35 cents)**	1.92 cents

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 RMB	2012 RMB
Non-current assets			
Property, plant and equipment	15	112,923	63,473,339
Intangible assets	16	–	5,045,820
Interest in an associate	17	–	8,664,357
Available-for-sale investment	18	1,293,580	–
Pledged bank deposits	19	90,429	90,429
Deferred tax assets	29	–	2,715,121
		1,496,932	79,989,066
Current assets			
Inventories	20	38,405,278	25,875,803
Trade receivables	21	37,947,885	42,632,663
Other receivables and prepayments	22	5,469,408	7,649,970
Amount due from a director	23	1,113,273	769,071
Tax recoverable		677,390	677,390
Pledged bank deposits	19	25,000,000	400,000
Bank balances and cash	19	1,456,586	4,846,130
		110,069,820	82,851,027
Asset classified as held for sale	28	60,441,693	–
		170,511,513	82,851,027
Current liabilities			
Trade payables	25	42,435,228	22,917,679
Other payables and accrued charges	26	21,322,749	19,320,897
Dividend payables		–	675,971
Amount due to a director	23	5,771,564	1,975,648
Amounts due to related parties	24	43,061,580	41,668,657
Amount due to an associate	24	–	26,981,197
Bank and other borrowings	27	44,178,990	16,940,000
		156,770,111	130,480,049
Net current assets (liabilities)		13,741,402	(47,629,022)
Total assets less current liabilities		15,238,334	32,360,044

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 RMB	2012 RMB
Non-current liability			
Deferred income	30	**3,050,400**	4,977,600
Net assets		**12,187,934**	27,382,444
Capital and reserves			
Share capital	31	**64,705,882**	64,705,882
Reserves	32	**(52,517,948)**	(37,323,438)
Equity attributable to owners of the Company and total equity		**12,187,934**	27,382,444

The consolidated financial statements on pages 29 to 85 were approved and authorised for issue by the board of directors on 25 March 2014 and are signed on its behalf by:

Xiao Bing
Director

Zuo Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company					
	Share capital *RMB*	Share premium *RMB*	Statutory surplus reserve *RMB* (Note 32 (a))	Other reserve *RMB* (Note 32 (c))	Accumulated losses *RMB*	Total *RMB*
At 1 January 2012	64,705,882	71,228,946	16,153,228	3,938,899	(152,965,852)	3,061,103
Profit and total comprehensive income for the year	–	–	–	–	12,403,961	12,403,961
Contribution from shareholders	–	–	–	11,917,380	–	11,917,380
At 31 December 2012	64,705,882	71,228,946	16,153,228	15,856,279	(140,561,891)	27,382,444
Loss and total comprehensive expense for the year	–	–	–	–	(15,194,510)	(15,194,510)
At 31 December 2013	**64,705,882**	**71,228,946**	**16,153,228**	**15,856,279**	**(155,756,401)**	**12,187,934**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 *RMB*	2012 *RMB*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(12,467,709)**	9,688,840
Adjustments for:		
Allowance for inventories	**9,564,195**	897,930
Reversal of allowance for inventories	**(8,660,871)**	(2,423,217)
Amortisation of intangible assets	**2,181,700**	3,181,750
Depreciation of property, plant and equipment	**1,708,741**	2,628,164
Finance costs	**1,352,917**	199,333
Government grants	**(370,300)**	(340,000)
Government grants amortised	**(1,927,200)**	(1,927,200)
Gain on disposal of assets classified as held for sale	**–**	(2,263,963)
Gain on disposal of intellectual property rights recognised as expenses in previous years	**–**	(6,278,804)
Bad debts recovery of trade receivables	**–**	(498,380)
Bad debts recovery of other receivables	**–**	(955,726)
Impairment loss recognised in respect of intangible assets	**2,864,120**	–
Impairment loss recognised in respect of trade receivables	**5,306,232**	9,438,553
Impairment loss reversed in respect of trade receivables	**(4,111,336)**	(6,435,413)
Impairment loss recognised in respect of other receivables and prepayments	**2,624,957**	795,307
Impairment loss reversed in respect of other receivables and prepayments	**(1,609,224)**	(1,297,154)
Interest income	**(15,843)**	(25,180)
Loss on disposal and written-off of property, plant and equipment	**1,297,116**	252,724
Gain on disposal of partial interest in an associate	**(5,135,783)**	–
Share of result of an associate	**5,791,249**	1,666,811
Waiver of trade payables	**(3,209,118)**	(6,127,151)
Waiver of other payables	**(136,732)**	(566,268)
Operating cash flows before movements in working capital	**(4,952,889)**	(389,044)
(Increase) decrease in inventories	**(13,432,799)**	4,835,038
Decrease (increase) in trade receivables	**3,489,882**	(416,449)
Decrease in other receivables and prepayments	**1,164,829**	12,087,733
Increase (decrease) in trade payables	**24,700,395**	(29,217,452)
Increase (decrease) in other payables and accrued charges	**835,582**	(9,328,442)
(Decrease) increase in amount due to an associate	**(21,606,311)**	19,832,253
Cash used in operating activities	**(9,801,311)**	(2,596,363)
Income tax paid	**(11,680)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(9,812,991)**	(2,596,363)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB	2012 RMB
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(25,000,000)**	(490,429)
Advance to a director	**(344,202)**	(452,029)
Purchase of property, plant and equipment	**(87,134)**	(326,339)
Withdrawal of pledged bank deposits	**400,000**	3,800,000
Interest received	**15,843**	25,180
Repayment from a related company	**–**	91,204
Proceeds on disposal of assets classified as held for sale	**–**	1,200,000
Proceeds on sales of intellectual property rights recognised as expenses in previous years	**–**	5,800,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(25,015,493)**	9,647,587
FINANCING ACTIVITIES		
New bank and other borrowings raised	**44,166,870**	10,000,000
Advances from (repayment to) directors	**3,795,916**	(1,575,276)
Advances from (repayment to) related parties	**1,392,923**	(4,003,558)
Advance from an associate	**669,699**	7,148,944
Government grants received	**370,300**	340,000
Repayment of bank and other borrowings	**(16,927,880)**	(16,060,000)
Interest paid	**(1,352,917)**	(199,333)
Dividend paid	**(675,971)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**31,438,940**	(4,349,223)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,389,544)**	2,702,001
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**4,846,130**	2,144,129
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash	**1,456,586**	4,846,130

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

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

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are research and development, manufacture and sale of base station antennas and related products. Details of the principal activities of the subsidiaries are disclosed in Note 38.

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 2009–2011 Cycle issue in 2012
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)*–Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretation Committee.

Except as described below, the application of the new and revised HKFRSs in current year has had no material impact on the Group's financial performance and position 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)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. As the Group does not have items of other comprehensive income, there has been no modification in the presentation of items of other comprehensive income. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised standards on consolidation, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when (a) it has power over an investee, (b) it is exposed or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Details are set out in Note 17.

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

New and revised standards on consolidation, associates and disclosures *(Continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements for both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements except for share-based payment transactions within the scope of HKFRS 2 Share-based Payment, leasing transactions within the scope of HKAS 17 Leases and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. HKFRS 13 has been applied prospectively as of the beginning of the annual period and resulted in additional disclosure as sets out in Note 17 to the consolidated financial statements. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans - Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)–Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, early application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Annual Improvements to HKFRSs 2010–2012 Cycle

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011–2013 Cycle

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

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

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

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

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

Annual Improvements to HKFRSs 2011–2013 Cycle *(Continued)*

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

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

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

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 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.

Key requirements of HKFRS 9 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. 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, 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 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.

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 Financial Instruments *(Continued)*

- HKFRS 9 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 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.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have impact on the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or CGU is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 except for certain financial instruments that are measured at fair values.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 (please specify), appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

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

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

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

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

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, any retained interest is measured at fair value which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Transactions with related companies under common owners of the Company

The Group applies a policy of treating transactions with related companies under common owners of the Company as transactions with owners of the Company. The gain derived from the waiver of amount due to those related companies is recorded in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

All other 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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.

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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) 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 CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

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

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 5 days to 240 days (2012: 90 to 240 days), observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

Financial liabilities and equity instruments

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

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges, dividend payables, amounts due to a director, related parties and an associate 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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

Fair value measurement

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

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

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

Level 1	–	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Significant influence over an associate

As detailed in Note 17 to the consolidated financial statements, the directors of the Company considered Xi'an Sunnada Haitian Antenna Co., Ltd. ("Xi'an Sunnada"), in which the Group has 15.38% equity interest before the transfer of shares in settlement of litigation claims, is an associate of the Group as the Group has significant influence over Xi'an Sunnada by virtue of its contractual right to appoint one out of three directors to the board of directors of Xi'an Sunnada.

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

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

As of 31 December 2013, the carrying amount of property, plant and equipment of the Group was RMB112,923 (2012: RMB63,473,339). No impairment has been made during the years ended 31 December 2013 and 2012.

Estimated impairment of intangible assets

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

As of 31 December 2013, the carrying amount of intangible assets is nil (2012: RMB5,045,820). Impairment loss of RMB2,864,120 has been recognised in profit or loss during the year ended 31 December 2013 (2012: nil).

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 2013, the carrying amount of inventories were RMB38,405,278 (2012: RMB25,875,803), net of allowance for inventories of RMB14,336,150 (2012: RMB13,432,826).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of trade receivables and other receivables and prepayments

The policy for making impairment loss on trade receivables and other receivables and prepayments of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. 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 2013, the carrying amount of the trade receivables was RMB37,947,885 (2012: RMB42,632,663), net of allowance for doubtful debts of RMB27,041,136 (2012: RMB25,846,240). While the carrying amount of other receivables and prepayments are RMB5,469,408 (2012: RMB7,649,970), net of allowance for doubtful debts of RMB4,518,468 (2012: RMB3,502,735).

Estimated impairment of property, plant and equipment

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

As of 31 December 2013, the carrying amount of property, plant and equipment of the Group was RMB112,923 (2012: RMB63,473,339). No impairment has been made during the years ended 31 December 2013 and 2012.

Fair value measurements and valuation processes

The board of directors of the Company has determined the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 17 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of available-for-sales investment.

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

	2013 RMB	2012 RMB
Financial assets		
Available-for-sale investment	**1,293,580**	–
Loan and receivables (including cash and cash equivalents)	**68,046,048**	55,197,971
Financial liabilities		
Amortised cost	**147,838,696**	124,343,027

(b) Financial risk management objectives and policies

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

Market risk

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

(i) Foreign currency risk

The Group mainly operates in the PRC. Revenue and majority of its operating costs and cost of sales are denominated in RMB. Certain bank balances, trade receivables, trade payables and bank borrowings of the Group are denominated in the United States Dollars ("USD"). Such USD denominated bank balances, trade receivables, trade payables and bank borrowings are exposed to fluctuations in the value of RMB against USD in which these bank balances, trade receivables, trade payables and bank borrowings are denominated. Any significant appreciation/depreciation of the RMB against these foreign currencies may result in significant exchange gain/loss which would be recorded in the consolidated statement of profit or loss and other comprehensive income.

	2013 RMB	2012 RMB
USD		
Assets	**14,733,631**	267,044
Liabilities	**(48,416,960)**	–
	(33,683,329)	267,044

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis

The Group's currency risk is mainly exposed to USD

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in RMB against USD for the year ended 31 December 2013. 5% (2012: 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% (2012: 5%) change in foreign currency rates.

A negative number below indicates a decrease in loss for the year (2012: increase in profit after tax) for the year where RMB strengthen 5% (2012: 5%) against the relevant currency. For a 5% (2012: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss for the year (2012: profit after tax) for the year.

	2013	2012
	RMB	*RMB*
(Loss) profit after tax	**(1,263,125)**	10,014

(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 19 for details of these bank deposits and balances) carried at prevailing market rate. However, such exposure was minimal to the Group as the variable-rate pledged bank deposits and bank balances were all short term in nature. Accordingly no sensitivity analysis is presented.

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 lending/deposit rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank borrowings and bank deposits and balances.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arisen from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

The Group has concentration of credit risk as 54% (2012: 55%) and 81% (2012: 89%) 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 PRC, which accounted for 78% (2012: 100%) and 22% (2012: nil) of the total trade receivables as at 31 December 2013 respectively.

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 Group has no covenants with banks for the banking facilities granted.

The Company was exposed to liquidity risk as at 31 December 2012 as the Company had net current liabilities of RMB47,629,022. The directors of the Company were of the opinion that the Company would have sufficient working capital to meet its financial obligations.

As at 31 December 2013 and 2012, the Group had breached certain covenant clauses of its bank borrowing (Note 27) which are primarily related to the assets-liabilities ratio and current ratio of the Group not less than 80% (2012: 85%) and 100% (2012: 50%) respectively. As a result, bank borrowing of RMB20,000,000 (2012: RMB10,000,000) shall become repayable on demand. No demand for immediate full repayment of the bank borrowings had been received by the Group.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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 2013

	On demand or within one year and total undiscounted cash flows *RMB*	**Carrying amount at 31 December 2013** *RMB*
Non-derivative financial liabilities		
Trade payables	**42,435,228**	**42,435,228**
Other payables and accrued charges	**12,391,334**	**12,391,334**
Amount due to a director	**5,771,564**	**5,771,564**
Amounts due to related parties	**43,061,580**	**43,061,580**
Bank and other borrowings	**44,822,195**	**44,178,990**
	148,481,901	**147,838,696**

	On demand or within one year and total undiscounted cash flows *RMB*	Carrying amount at 31 December 2012 *RMB*
Non-derivative financial liabilities		
Trade payables	22,917,679	22,917,679
Other payables and accrued charges	13,183,875	13,183,875
Dividend payables	675,971	675,971
Amount due to a director	1,975,648	1,975,648
Amounts due to related parties	41,668,657	41,668,657
Amount due to an associate	26,981,197	26,981,197
Bank and other borrowings	17,590,000	16,940,000
	124,993,027	124,343,027

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

The fair value of financial assets other than available-for-sale investment (Note 18) and financial liabilities is determined in accordance with generally accepted pricing models based on discounting cash flow analysis.

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

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

7. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are research and development, manufacture and sale of base station antennas and related products.

Revenue represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes for the year. An analysis of the Group's revenue for the year is as follows:

	2013 ***RMB***	2012 *RMB*
Sales of antennas and related products	**16,721,578**	26,511,850
Service income	**8,468,321**	20,057,621
	25,189,899	46,569,471

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operating decision makers, the board of directors, for the purpose of allocating resources to segments and assessing their performance. The Group is organised into a single operating segment as sale of telecommunication products and rendering of related services. Accordingly, no reportable segment is presented.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

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	
	2013	2012	**2013**	2012
	RMB	*RMB*	***RMB***	*RMB*
PRC (country of domicile)	**12,502,015**	45,772,023	**112,923**	68,519,159
Asia excluding PRC	**12,687,884**	520,678	**–**	–
Others	**–**	276,770	**–**	–
	25,189,899	46,569,471	**112,923**	68,519,159

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

All non-current assets are allocated to operating segments other than interest in an associate, available-for-sale investment, deferred tax assets and non-current pledged bank deposits.

Information about major customers

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

	2013	2012
	RMB	*RMB*
Customer A	**N/A[1]**	12,329,937
Customer B	**5,491,034**	4,963,732
Customer C	**N/A[1]**	18,403,847
Customer D	**11,900,255**	–

All revenue generated from the major customers relate to the sale of telecommunication products and related services.

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

8. OTHER REVENUE

	2013 RMB	2012 RMB
Government grants *(Note)*	**370,300**	340,000
Government grants amortised *(Note 30)*	**1,927,200**	1,927,200
Gain on disposal of intellectual property rights recognised as expenses in previous years	**–**	6,278,804
Impairment loss reversed in respect of trade receivables *(Note 21)*	**4,111,336**	6,435,413
Impairment loss reversed in respect of other receivables and prepayments *(Note 22)*	**1,609,224**	1,297,154
Waiver of trade payables	**3,209,118**	6,127,151
Waiver of other payables	**136,732**	566,268
Interest income	**15,843**	25,180
Gain on sales of raw materials	**–**	21,117
Rental income	**–**	806,533
Bad debts recovery	**–**	1,454,106
Others	**–**	146,694
	11,379,753	25,425,620

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 subsidies.

9. FINANCE COSTS

	2013 RMB	2012 RMB
Interests on bank borrowings wholly repayable within five years	**1,352,917**	199,333

10. INCOME TAX EXPENSE (CREDIT)

	2013 RMB	2012 RMB
Under-provision in prior years for PRC Enterprise Income Tax	**11,680**	–
Deferred taxation (Note 29)	**2,715,121**	(2,715,121)
	2,726,801	(2,715,121)

No provision for Hong Kong Profits Tax has been made as the Group did not generate assessable profit during the years ended 31 December 2013 and 2012.

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

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

	2013 RMB	2012 RMB
(Loss) profit before tax	**(12,467,709)**	9,688,840
Tax at the domestic income tax rate of 25% (2012: 25%)	**(3,116,927)**	2,422,210
Tax effect of share of loss of an associate	**1,118,319**	416,703
Tax effect of expenses not deductible for tax purpose	**1,273,453**	494,748
Tax effect of income not taxable for tax purpose	**(986,866)**	–
Tax effect on tax losses not recognised	**3,660,116**	–
Tax effect of deductible temporary differences not recognised	**778,488**	620,177
Utilisation of tax losses previously not recognised	**–**	(6,668,959)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**(11,462)**	–
Under-provision in respect of prior years	**11,680**	–
Income tax expense (credit)	**2,726,801**	(2,715,121)

Details of the deferred taxation are set out in Note 29.

11. (LOSS) PROFIT FOR THE YEAR

	2013 RMB	2012 RMB
(Loss) profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	1,708,741	2,628,164
Amortisation of intangible assets (included in administrative expenses)	2,181,700	3,181,750
Total depreciation and amortisation	3,890,441	5,809,914
Auditor's remuneration		
– audit services	440,000	440,000
– other services	157,000	25,600
Cost of inventories recognised as an expense	12,371,544	25,333,670
Staff costs		
– Directors' and supervisors' remuneration (Note 12)	470,408	678,130
– Salaries, wages and other benefits	3,594,540	4,557,052
– Severance payment for staff laid-off	–	940,437
– Retirement benefit scheme contributions (excluding directors and supervisors)	472,748	746,012
Total staff costs	4,537,696	6,921,631
Loss on disposal and written-off of property, plant and equipment	1,297,116	252,724
Allowance for inventories (included in cost of sales)	9,564,195	897,930
Reversal of allowance for inventories (included in cost of sales)	(8,660,871)	(2,423,217)
Exchange loss, net	113,461	–
Minimum lease payments under operating leases	180,576	–
Research and development costs recognised as an expense	2,586,956	3,013,174

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

Directors' emoluments

The emoluments paid or payable to each of the ten (2012: thirteen) directors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2013 *RMB*	2012 *RMB*	2013 *RMB*	2012 *RMB*	2013 *RMB*	2012 *RMB*	2013 *RMB*	2012 *RMB*
Executive directors								
Xiao Bing	–	–	82,320	97,687	33,016	20,578	115,336	118,265
Zuo Hong	–	–	129,600	140,551	19,435	12,744	149,035	153,295
Professor Xiao Liangyong ("Professor Xiao") (Resigned on 31 December 2012)	–	–	–	82,805	–	–	–	82,805
Non-executive directors								
Li Wenqi	–	–	6,000	6,000	–	–	6,000	6,000
Sun Wenguo	–	–	6,000	6,000	–	–	6,000	6,000
Xie Yiqun	–	–	6,000	6,000	–	–	6,000	6,000
Cong Chunshui (Resigned on 9 November 2012)	–	–	–	3,000	–	–	–	3,000
Liu Ruixuan (Resigned on 31 December 2012)	–	–	–	6,000	–	–	–	6,000
Yan Feng (Appointed on 9 November 2012)	–	–	6,000	–	–	–	6,000	–
Independent non-executive directors								
Professor Gong Shuxi (Retired on 28 June 2013)	–	–	18,000	36,000	–	–	18,000	36,000
Lei Huafeng (Resigned on 10 August 2012)	–	–	–	12,000	–	–	–	12,000
Zhang Jun (Appointed on 28 June 2013)	–	–	6,000	–	–	–	6,000	–
Chen Ji (Appointed on 10 August 2012)	–	–	24,000	15,000	–	–	24,000	15,000
Qiang Wenyu	–	–	–	–	–	–	–	–
Total	–	–	283,920	411,043	52,451	33,322	336,371	444,365

For the year ended 31 December 2013, one of the directors of the Company who named Qiang Wenyu, waived his emolument of RMB28,000.

For the year ended 31 December 2012, three directors of the Company who named Yan Feng, Qiang Wenyu and Lei Huafeng, waived their emoluments of RMB500, RMB36,000 and RMB12,000 respectively.

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

Supervisors' remunerations

The emoluments paid or payable to each of the six (2012: five) supervisors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Supervisors								
Professor Shi Ping								
(Retired on 28 June 2013)	**–**	–	**18,000**	36,000	**–**	–	**18,000**	36,000
Bai Fubo	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Chen Hua (Retired on 28 June 2013)	**–**	–	**2,720**	79,980	**5,911**	7,200	**8,631**	87,180
Huang Jing (Appointed on 28 June 2013)	**–**	–	**6,000**	–	**–**	–	**6,000**	–
Liu Yongqiang (Retired on 28 June 2013)	**–**	–	**18,000**	36,000	**–**	–	**18,000**	36,000
Xu Hao	**–**	–	**64,320**	61,385	**13,086**	7,200	**77,406**	68,585
Total	**–**	–	**115,040**	219,365	**18,997**	14,400	**134,037**	233,765

For the year ended 31 December 2013, one supervisor who named Chen Hua waived his emoluments of RMB33,280. No supervisors waived any emoluments for the year ended 31 December 2012. 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 2013 and 2012.

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

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, one (2012: three) was director of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining four (2012: two) individuals were as follows:

	2013 *RMB*	2012 *RMB*
Salaries and other benefits	**275,280**	141,365
Retirement benefit scheme contributions	**18,376**	14,400
	293,656	155,765

Their emoluments were within the following band:

	2013 Number of employees	2012 Number of employees
Nil to HK$1,000,000 (equivalent to RMB800,000 (2012: equivalent to RMB800,000))	**4**	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 and Senior Management" of the annual report fell within the following band:

	2013 Number of employees	2012 Number of employees
Nil to HK$1,000,000 (equivalent to RMB800,000 2012: equivalent to RMB800,000))	**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 2013 and 2012.

13. DIVIDENDS

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

14. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share attributable to the owners of the Company is based on the loss for the year attributable to owners of the Company of RMB15,194,510 (2012: profit for the year of RMB12,403,961) and the weighted average number of 647,058,824 (2012: 647,058,824) ordinary shares in issue during the year.

The diluted (loss) earnings per share is equal to the basic (loss) earnings per share as calculated above as the Company did not have any potential shares outstanding for the two years ended 31 December 2013 and 2012.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB*	Plant and machinery *RMB*	Furniture, fixtures and equipment *RMB*	Total *RMB*
COST				
At 1 January 2012	76,298,321	13,742,898	5,055,747	95,096,966
Additions	311,952	–	14,387	326,339
Disposals/written off	(2,653,790)	(1,690,593)	(583,984)	(4,928,367)
At 31 December 2012	73,956,483	12,052,305	4,486,150	90,494,938
Additions	–	70,679	16,455	87,134
Written-off	–	(7,675,635)	(1,680,664)	(9,356,299)
Transfer to asset classified as held for sale	(73,956,483)	–	–	(73,956,483)
At 31 December 2013	–	4,447,349	2,821,941	7,269,290
DEPRECIATION AND IMPAIRMENT				
At 1 January 2012	11,836,406	11,937,026	4,496,089	28,269,521
Provided for the year	2,359,722	175,351	93,091	2,628,164
Eliminated on disposals/written off	(2,251,029)	(1,086,005)	(539,052)	(3,876,086)
At 31 December 2012	11,945,099	11,026,372	4,050,128	27,021,599
Provided for the year	1,569,691	100,550	38,500	1,708,741
Eliminated on written-off	–	(6,713,582)	(1,345,601)	(8,059,183)
Transfer to asset classified as held for sale	(13,514,790)	–	–	(13,514,790)
At 31 December 2013	–	4,413,340	2,743,027	7,156,367
CARRYING VALUES				
At 31 December 2013	–	34,009	78,914	112,923
At 31 December 2012	62,011,384	1,025,933	436,022	63,473,339

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

Buildings	Over the shorter of unexpired term of lease, or 50 years
Plant and machinery	3 – 10 years
Furniture, fixtures and equipment	5 years

The buildings are situated on land held under medium-term land use rights in the PRC.

The buildings ("Disposal Properties") are erected on the land rented from 西安海天投資控股有限責任公司 ("海天投資"), a related company of the Group since June 2006. According to the overall municipal planning of the Xi'an City and the Xi'an Hi-tech Zone, the Land & Resources Bureau has decided to implement the resumption of the land and the buildings and entered into a resumption agreement with 海天投資. The resumption was approved by the People's Government of Xi'an on 26 December 2012. Upon the resumption, the land use of the land will be changed and part of the land will be sold by way of auction with a view to refining the function of the city and optimising the industrial structure of the Xi'an Hi-tech Zone. The Company understands that it is the policy of the Land & Resources Bureau that it will resume the land and the Disposal Properties from 海天投資, the owner of the land. On 9 August 2013, a resolution was passed by the board of directors of the Company to dispose of the Disposal Properties to 海天投資 and the carrying amount of Disposal Properties of RMB60,441,693 was reclassified to asset classified as held for sale (Note 28).

16. INTANGIBLE ASSETS

	Development costs *RMB*	Technological know-how *RMB*	Total *RMB*
COST			
At 1 January 2012, 31 December 2012 and 2013	62,385,900	10,000,000	72,385,900
AMORTISATION AND IMPAIRMENT			
At 1 January 2012	54,158,330	10,000,000	64,158,330
Provided for the year	3,181,750	–	3,181,750
At 31 December 2012	57,340,080	10,000,000	67,340,080
Provided for the year	2,181,700	–	2,181,700
Impairment loss recognised in the year	2,864,120	–	2,864,120
At 31 December 2013	62,385,900	10,000,000	72,385,900
CARRYING VALUES			
At 31 December 2013	–	–	–
At 31 December 2012	5,045,820	–	5,045,820

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

During the year ended 31 December 2013, the directors of the Company conducted a review of the Group's intangible assets and determined that the intangible assets were impaired due to the cessation of production of certain antenna products. Accordingly, impairment loss of approximately RMB2,864,120 (2012: nil) has been recognised in respect of intangible assets.

17. INTEREST IN AN ASSOCIATE

	2013 *RMB*	2012 *RMB*
Cost of investment in an unlisted associate in the PRC	**12,000,000**	12,000,000
Share of post acquisition losses	**(9,126,892)**	(3,335,643)
	2,873,108	8,664,357
Less: 9.74% interest in an associate offset with trade payables and related interest	**(6,715,311)**	–
Gain on disposal of partial interest in an associate	**5,135,783**	–
	1,293,580	–
Amount reclassified to available-for-sale investment (Note 18)	**(1,293,580)**	–
	–	8,664,357

As at 31 December 2012, the Group held 15.38% equity interests in Xi'an Sunnada, a PRC private limited company engaged in the manufacturing and sales of base station antennas and related products in the PRC.

Pursuant to the announcement of the Company dated on 8 July 2013, the Intermediate Court of Xi'an ("Court") issued an enforcement notice (the "Enforcement") to freeze the 15% equity interest of Xi'an Sunnada held by the Company for two years from the date of Enforcement, during which period the Company shall not dispose of the 15% equity interest for the award granted to 深圳金信諾高新技術股份有限公司 ("Kingsignal") who claims the Group to repay the purchase price of goods and relevant arbitration fee. Upon the rejection of revocation application from the Court, the Company and Kingsignal then reached an agreement to suspend the Enforcement until 28 June 2013 to negotiate for a settlement agreement. The Company and Kingsignal had not reached any settlement agreement on 28 June 2013 and subsequently agreed to suspend the Enforcement without a definite period.

Pursuant to the announcement of the Company dated 7 January 2014, the Company had transferred 9.74% effective equity interest in Xi'an Sunnada to Kingsignal on 31 December 2013 as the full and final settlement of the claims and interest in amount to RMB6,715,311 to Kingsignal.

17. INTEREST IN AN ASSOCIATE *(Continued)*

Upon the completion of disposal, at 31 December 2013, the Group retained 5.64% interest in Xi'an Sunnada. The Group has accounted for the remaining 5.64% interest as an available-for-sale investment of which the fair value was RMB1,293,580 at the date of disposal. The fair value was determined using an adjusted net assets method, in which (i) property, plant and equipment and inventories are based on the current market price of similar assets and (ii) bank balances and cash, receivables and payables are based on the cost approach with adjustments on the default risk factors and taking into account for the non-controlling interest and lack of liquidity discounts. The fair value of the retained interest in Xi'an Sunnada is under Level 3 of fair value hierarchy and it is regarded as the fair value on initial recognition as a financial asset in accordance with HKAS 39. The resulted gain recognised in profit or loss is as follow:

	2013	2012
	RMB	*RMB*
Consideration	**6,715,311**	–
Fair value of the retained interest	**1,293,580**	–
Carrying amount of the 15.38% investment on the date of loss of significant influence	**(2,873,108)**	–
Gain on disposal of partial interest in an associate	**5,135,783**	–

Reconciliation of Level 3 fair value measurements

	2013	2012
	RMB	*RMB*
Reclassification of remaining interest in Xi'an Sunnada from investment in associate to available-for-sale investment following partial disposal of interest (Note 18)	**1,293,580**	–

As at 31 December 2013 and 2012, the Group had interest in the following investee:

Name	Form of business structure	Place of incorporation and operations	Particulars of issued/paid-up capital	Percentage of effective equity interest attributable to the Group	Principal activities
Xi'an Sunnada *(Note)*	Limited liability company	the PRC	Paid-up capital	2013: 5.64% (2012: 15.38%)	Manufacturing and sales of base station antennas and related products

Note:

As at 31 December 2012 and before disposal, the Group is able to exercise significant influence over Xi'an Sunnada because it has power to appoint one out of the three directors of that company under the agreement with other shareholders of Xi'an Sunnada. On 31 December 2013, the Company had transferred 9.74% equity interest in Xi'an Sunnada to Kingsignal as the full and final settlement of the claims and interest to Kingsignal. The directors of the Company are of the opinion that the Group cannot exercise significant influence over the financing and operating policy decision of Xi'an Sunnada after the transfers, thus equity accounting has been discontinued from 31 December 2013. Accordingly, Xi'an Sunnada is classified as an available-for-sale investment.

17. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group's associate as at 31 December 2012 and up to the date of disposal on 31 December 2013 is set out below. The summarised financial information below represents amounts shown in the associate's financial statement prepared in accordance with HKFRSs.

	2013	2012
	RMB	*RMB*
Current assets	**65,103,639**	58,243,913
Non-current assets	**22,724,106**	35,822,989
Current liabilities	**(59,497,089)**	(28,093,127)
Revenue	**64,328,117**	28,380,256
Loss and total comprehensive expenses for the year	**(37,643,118)**	(10,834,268)

	2013	2012
	RMB	*RMB*
The Group's share of loss of the associate for the year	**(5,791,249)**	(1,666,811)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statement:

	2013	2012
	RMB	*RMB*
Net asset of the associate	**28,330,656**	65,973,775
Proportion of the Group's ownership interest in Xi'an Sunnada	**15.38%**	15.38%
Net asset of the associate shared by the Group	**4,358,562**	10,149,812
Partial disposal of interest in an associate	**(4,358,562)**	–
Unrealised profit	**–**	(1,485,455)
Carrying amount of the Group's interest in Xi'an Sunnada	**–**	8,664,357

18. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2013	2012
	RMB	*RMB*
Unlisted investment in equity security	**1,293,580**	–

The above unlisted equity investment represent 5.64% investment in Xi'an Sunnada, measured at fair value as detailed in Note 17.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represented deposits pledged to banks to secure bank facilities and the quality of the products sold to certain customers. The deposits amounting to RMB25,000,000 (2012: RMB400,000) have been pledged of which the expiry date will be within 3 months (2012: 1 year) and are therefore classified as current assets. The deposits have been pledged by the Group amounting to RMB90,429 (2012: RMB90,429) as at 31 December 2013 which will be expired over one year from the end of reporting period and are therefore classified as non-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:

	2013	2012
	RMB	*RMB*
USD	**308,359**	267,044

20. INVENTORIES

	2013	2012
	RMB	*RMB*
Raw materials	**26,063,314**	1,774,216
Work-in-progress	**1,656,285**	5,968,957
Finished goods	**10,685,679**	18,132,630
	38,405,278	25,875,803

During the year ended 31 December 2013, a reversal of allowance for inventories of RMB8,660,871 (2012: RMB2,423,217) has been recognised as the corresponding inventories were either sold or used.

21. TRADE RECEIVABLES

	2013 *RMB*	2012 *RMB*
Trade receivables	**64,989,021**	68,478,903
Less: impairment loss recognised	**(27,041,136)**	(25,846,240)
	37,947,885	42,632,663

The Group allows a credit period ranging from 5 to 240 days (2012: 90 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 impairment loss recognised presented based on the invoice date or goods delivery dates, which approximate the respective revenue recognition dates, at the end of the reporting period.

	2013 *RMB*	2012 *RMB*
Within 60 days	**15,363,815**	23,105,427
61 to 120 days	**2,375,137**	4,208,408
121 to 180 days	**563,195**	875,457
181 to 365 days	**951,737**	358,356
Over 365 days	**18,694,001**	14,085,015
	37,947,885	42,632,663

Included in the Group's trade receivable balance are trade receivables with aggregate carrying amount of RMB21,156,731 (2012: RMB14,443,371) 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:

	2013 *RMB*	2012 *RMB*
Within 60 days	**5,993,196**	1,090,575
61 to 120 days	**1,997,018**	691,913
121 to 180 days	**460,499**	22,790
181 to 365 days	**177,193**	1,580,800
1 to 2 years	**1,565,626**	9,413,414
Over 2 years	**10,963,199**	1,643,879
Total	**21,156,731**	14,443,371

21. TRADE RECEIVABLES *(Continued)*

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

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

	2013	2012
	RMB	*RMB*
At 1 January	**25,846,240**	24,180,821
Impairment loss recognised	**5,306,232**	9,438,553
Amounts written off as uncollectible	**–**	(1,337,721)
Reversal of impairment loss recognised in previous years	**(4,111,336)**	(6,435,413)
At 31 December	**27,041,136**	25,846,240

Receivables of RMB16,791,154 (2012: RMB28,189,292) 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:

	2013	2012
	RMB	*RMB*
USD	**14,425,272**	–

22. OTHER RECEIVABLES AND PREPAYMENTS

	2013 *RMB*	2012 *RMB*
Other receivables	**4,423,037**	9,613,544
Prepayments	**5,564,839**	1,539,161
	9,987,876	11,152,705
Less: impairment loss recognised	**(4,518,468)**	(3,502,735)
	5,469,408	7,649,970

Included in other receivables and prepayments is an amount of RMB1,449,541 (2012: RMB2,910,530) 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 impairment of other receivables and prepayments is as follows:

	2013 *RMB*	2012 *RMB*
At 1 January	**3,502,735**	4,364,093
Impairment loss recognised	**2,624,957**	795,307
Amounts written off as uncollectible	**–**	(359,511)
Reversal of impairment loss recognised in previous years	**(1,609,224)**	(1,297,154)
At 31 December	**4,518,468**	3,502,735

A cashier of the Company and an independent third party, ganged to embezzle some of Company's funds ("Misappropriation of Funds") in an amount of RMB3,809,380 and included in other receivables as at 31 December 2012. The matter was reported to the PRC police and the cashier was arrested for criminal investigation.

On 6 February 2012, the PRC court issued a final verdict, which stated the cashier was found liable to repay the financial damage to the Company; and the cashier was sentenced to jail. The Group has recovered RMB421,500 during 2011 and the remaining balance of the Misappropriation of Funds was recovered from a relative of the independent third party on 5 March, 6 March and 11 March 2012, therefore, no impairment loss in other receivables in amount of RMB3,387,880 arising from Misappropriation of Funds was recognised in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2012.

23. AMOUNTS DUE FROM (TO) DIRECTORS

Name of directors	Balance at 31 December 2013 *RMB*	Balance at 1 January 2013 *RMB*	Maximum amount outstanding during the year *RMB*
Due from:			
Zuo Hong	1,113,273	769,071	1,113,273
Due to:			
Xiao Bing	(5,771,564)	(1,975,648)	

The amounts due from (to) directors are unsecured, interest-free and repayable on demand.

24. AMOUNTS DUE TO RELATED PARTIES/AN ASSOCIATE

Name of related parties	Relationship	*Notes*	**2013** ***RMB***	2012 *RMB*
Due to:				
海天投資	Common director and shareholder	*(i) & (ii)*	**41,510,656**	41,668,657
Professor Xiao	Close family member of the executive director of the Company	*(i)*	**1,550,924**	–
			43,061,580	41,668,657
Xi'an Sunnada	Associate of the Company	*(i) & (iii)*	**–**	26,981,197

Notes:

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

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

(iii) Included in amount due from an associate of RMB24,121,121 as at 31 December 2012 was in trade nature and it is aged within 60 days.

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.

	2013 RMB	2012 RMB
Within 60 days	24,521,131	846,072
61 to 120 days	388,126	135,127
121 to 365 days	5,051,186	998,192
Over 365 days	12,474,785	20,938,288
	42,435,228	22,917,679

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

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

	2013 RMB	2012 RMB
USD	24,250,090	–

26. OTHER PAYABLES AND ACCRUED CHARGES

	2013 RMB	2012 RMB
Receipt in advance	3,205,039	2,819,763
Accrued salaries *(Note i)*	3,950,212	4,326,711
Other payables *(Note ii)*	12,240,298	10,247,223
Deferred income *(Note iii) (Note 30)*	1,927,200	1,927,200
	21,322,749	19,320,897

Notes:

i. Included in accrued salaries is amount of nil (2012: RMB35,530) representing accrued directors' remuneration.

ii. Included in other payables is a temporary advance of RMB1,920,000 (2012: RMB4,300,000) from an independent third party. The amount is interest-free, unsecured and repayable on demand.

iii. Deferred income was received from several local government authorities for the Group's to the technology improvement of base station antenna and to research and development and industralisation of antenna.

27. BANK AND OTHER BORROWINGS

	2013	2012
	RMB	*RMB*
Bank borrowings		
– Secured	**24,166,870**	–
– Unsecured	**20,000,000**	10,000,000
Other borrowings	**12,120**	6,940,000
	44,178,990	16,940,000
Carrying amount repayable:		
On demand or within one year	**44,178,990**	16,940,000
Less: Amounts due that are repayable on demand due to breach of loan covenants	**(20,000,000)**	(10,000,000)
Amounts due within one year shown under current liabilities	**(24,178,990)**	(6,940,000)
Amounts shown under non-current liabilities	**–**	–

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

	2013	2012
	RMB	*RMB*
Fixed-rate bank borrowings	**44,166,870**	10,000,000

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

	2013	2012
Effective interest rate:		
Fixed-rate bank borrowings	**2.5% – 7.8%**	7.8%

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

	2013	2012
	RMB	*RMB*
USD	**24,166,870**	–

Other borrowings represent loan from Ren Yuwen (任玉文), a shareholder of Xi'an Sunnada. The amount is unsecured, interest-free and repayable on demand.

During the year ended 31 December 2013, the Group obtained new bank borrowings in the amount of RMB44,166,870 (2012: RMB10,000,000) in which RMB24,166,870 (2012: nil) was used to finance the export business and RMB20,000,000 (2012: RMB10,000,000) was used to finance the general working capital of the Group.

27. BANK AND OTHER BORROWINGS *(Continued)*

During the current year, in respect of an unsecured bank loan with a carrying amount of RMB20,000,000 as at 31 December 2013, the Group breached certain of the terms of the bank loan, which are primarily related to the assets-liabilities ratio and current ratio of the Group not less than 80% and 100% respectively. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. Subsequent to the end of the reporting period, the lender agreed to waive its right to demand immediate payment and the loan will only be recall upon its maturity subsequent to the end of the reporting period.

In 2012, in respect of an unsecured bank loan with a carrying amount of RMB10,000,000 as at 31 December 2012, the Group breached certain of the terms of the bank loan, which are primarily related to the assets-liabilities ratio and current ratio of the Group not less than 85% and 50% respectively. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the loan with the relevant banker. As at 31 December 2012, those negotiations had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan has been classified as a current liability as at 31 December 2012.

During the year ended 31 December 2013, the secured bank borrowings were secured by pledged bank deposits held by the Group. Details are disclosed in Note 19.

During the years ended 31 December 2013 and 2012, Xiao Bing, an executive director and his close family member of the Company pledged certain properties to a bank to secure the bank borrowings.

28. ASSET CLASSIFIED AS HELD FOR SALE

	RMB
Reclassified from property, plant and equipment and as at 31 December 2013 *(Note 15)*	60,441,693

On 9 August 2013, a resolution was passed by the board of directors of the Company to dispose of the building which is erected on the land rented from 海天投資. Subsequently on 10 January 2014, the Company and 海天投資 entered into a disposal agreement, pursuant to which the Company has conditionally agreed to sell, and 海天投資 has conditionally agreed to purchase the building at a total consideration of RMB68,000,000. The disposal transaction constitutes a major transaction for the Company and approval from the shareholders of the Company has been granted on the extraordinary general meeting of the Company held on 11 March 2014. As of the date of approval of these consolidated financial statements, the disposal is not yet completed. In the opinion of the directors of the Company, the disposal will be completed within one year.

29. DEFERRED TAXATION

	2013 RMB	2012 RMB
Deferred tax asset	–	2,715,121

The following is the major deferred tax assets recognised and movements thereon during the current and prior years:

	Tax losses RMB
At 1 January 2012	–
Credit during the year	2,715,121
At 31 December 2012 and 1 January 2013	2,715,121
Charged during the year	(2,715,121)
At 31 December 2013	–

As at 31 December 2013, the Group has unused tax losses of approximately RMB128,113,099 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 2013, the Group also had deductible temporary differences of RMB49,097,684 (2012: RMB45,983,732). 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.

As at 31 December 2012, the Group has unused tax losses of approximately RMB124,333,119 available to offset against future profits. A deferred tax asset has been recognised in respect of RMB9,762,193 of such losses. No deferred tax asset has been recognised in respect of the remaining RMB114,570,926 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.

30. DEFERRED INCOME

Included in the deferred income is the Group had received government grants in aggregate amount of RMB1,927,200 which was related to research and development and industrialisation of antenna for the TD-SCDMA long term evolution (TD-LTE) in previous years. Amount of RMB1,927,200 (2012: RMB1,927,200) will be amortised within one year and is therefore classified as current liabilities and included in other payables and the remaining amount of RMB3,050,400 (2012: RMB4,977,600) is classified as non-current liability.

31. SHARE CAPITAL

	Number of shares	Share capital RMB
At 1 January 2012, 31 December 2012 and 31 December 2013		
Registered, issued and fully paid:		
Domestic shares of RMB0.10 each	485,294,118	48,529,412
H shares of RMB0.10 each	161,764,706	16,176,470
	647,058,824	64,705,882

32. 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 2013 and 2012.

(c) Other reserve

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

33. OPERATING LEASES

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:

	2013 ***RMB***	2012 *RMB*
Within one year	**270,864**	–

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

34. 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 RMB544,196 (2012: RMB793,734) represents contributions payable to these schemes by the Group for the year ended 31 December 2013.

As at 31 December 2013 and 2012, the Group had no significant obligation apart from the contribution as stated above.

35. 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:

	2013	2012
	RMB	*RMB*
Bank deposits	**25,090,429**	490,429

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Group's major non-cash transactions as follows:

(i) The Group settled balances of trade payables and related interest of RMB6,715,311 by the transfer of 9.74% equity interest in Xi'an Sunnada held by the Group. The detail of settlement has been set out in Note 17.

During the year ended 31 December 2012, the Group's major non-cash transactions as follows:

(i) The Group settled a payment of RMB1,780,921 for the consideration of investment in an associate for 1.61% equity interest by motor vehicles and certain plant and equipments with carrying value of RMB457,394 and RMB1,052,281 respectively held by the Group.

(ii) 海天投資 agreed to waive the rental payable by the Company of RMB11,917,380. Such waiver is deemed to be a transaction with owners of the Company and therefore recorded as other reserve.

(iii) During the year ended 31 December 2012, the Group completed disposal of assets classified as held for sale transactions and disposal of intellectual property rights recognised as expenses in previous years. The sale proceeds of RMB31,380,000 and RMB1,620,000 were received and included in receipt in advance respectively as at 31 December 2011.

37. RELATED PARTY TRANSACTIONS

(a) Details of the balances with directors, related parties and loan from a shareholder of an associate are set out in Notes 23, 24 and 27 respectively on the consolidated statement of financial position.

(b) During the year ended 31 December 2012, the Group received sales proceeds amounting to RMB7,000,000 (2013: nil) for disposal of assets classified as held for sale from Xi'an Sunnada.

(c) During the year ended 31 December 2013, the Group sold goods to Xi'an Sunnada amounting to RMB2,680,744 (2012: RMB1,546,990), purchased goods from Xi'an Sunnada amounting to RMB1,541,696 (2012: RMB21,379,243) and subcontracting cost payable to Xi'an Sunnada amounting to RMB469,349 (2012: nil).

(d) During the year ended 31 December 2012, the Group paid rental for the lease of land of RMB1,489,673 to 海天投資. The rental payable amounting to RMB1,489,673 for that year was waived by 海天投資 and the land was continuously used by the Group with no consideration during the year ended 31 December 2013.

(e) During the years ended 31 December 2013 and 2012, Xiao Bing, an executive director of the Company, and Xiao Liangyong, father of Xiao Bing and being former director of the Company, pledged certain properties to a bank to secure the bank borrowings.

(f) During the year ended 31 December 2013, the Group used the machineries and staff of Xi'an Sunnada for certain manufacturing process at no consideration for a service income of RMB787,629 (2012: nil).

(g) Compensation of key management personnel

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

	2013	2012
	RMB	*RMB*
Short-term benefits	**415,280**	666,468
Other long-term benefits	**89,825**	67,086
	505,105	733,554

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

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 20 of GEM Rules.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	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 2013	2012	Principal activities
XAHT Antenna Technologies (Hongkong) Limited	Hong Kong	Ordinary shares	HK$1,500,000	**100%**	100%	Trading
Xian Haitian Communication System Engineering Co., Ltd.*	PRC	Registered capital	RMB5,000,000	**100%**	100%	Design and installation of the antennas and related products
Xian Hi-tech Communication Software Co., Limited* ("Xian Hi-tech")	PRC	Registered capital	RMB1,500,000	***100%(Note)***	100%	Development, manufacturing and trading of computer software and hardware
Xian 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

* Limited company established in the PRC

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

Note: During the current year, Xian Hi-tech was revoked by Xi'an Administration for Industry and Commerce due to the fail of compliance of annual inspection. Subsequent to end of the reporting period, the Group negotiated with Xi'an Administration for Industry and Commerce and submitted application to retrieve the original status of Xi'an Hi-tech.

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

39. LITIGATION

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

(a) On 29 November 2011, 珠海漢勝科技股份有限公司 (the "Plaintiff A") filed a writ at the Xi'an Arbitration Commission, Shaanxi Province (the "Commissioner") against the Company. The Plaintiff A claimed that the Company owes the Plaintiff A trade payable balance of RMB799,583, which aged over one year. The Plaintiff A requested the Commissioner to resolve the contractual dispute by requesting the Company to perform its repayment obligation. On 28 November 2012, the court case was concluded of which the Group was demanded to repay the Plaintiff A of amount approximately RMB872,702. As at 31 December 2012, an amount of RMB561,122 is not yet paid to the Plaintiff A. During the current year, the director of the Company had settled the outstanding balance on behalf of the Company. The case had been closed as at 31 December 2013.

39. LITIGATION *(Continued)*

(b) On 20 December 2011, Kingsignal filed a writ at the Commissioner against the Company. Kingsignal claimed that the Company owed Kingsignal trade payable balance of RMB6,685,363, which aged over one year. Kingsignal requested the Commissioner to resolve the contractual dispute by requesting the Company to perform its repayment obligation. Meanwhile, the Company countercharged Kingsignal with the substandard products provided amounting to RMB2,013,024. The claims are rejected from the arbitration from the Commissioner. The Court issued Enforcement to freeze the 15.38% equity interest of Xi'an Sunnada for two years, during which period the Company shall not dispose of the 15.38% equity interest. The Company transferred 9.74% equity interest in Xi'an Sunnada to Kingsignal on 31 December 2013 as the full and final settlement of the claims and interest in amount to RMB6,715,311 and it was concluded that the case had been closed as at 31 December 2013. The detail of transfer has been set out on Note 17.

(c) During the year ended 31 December 2013, 新鄉市恆豐機械設備有限公司 (the "Plaintiff C") filed a writ against the Company at 西安市雁塔區人民法院 (the "People's Court"). The Plaintiff C claimed that the Company owed the Plaintiff A trade payable balance of RMB242,840, which aged over two years. The Plaintiff C requested the People's Court to resolve the contractual dispute by requesting the Company perform its repayment obligation and the relevant interests. On 22 October 2013, the court case was concluded of which the Company was demanded to repay the Plaintiff C of amount RMB242,840 and related interest of RMB36,523. As at 31 December 2013, the aforesaid amount has not yet paid to the Plaintiff C. In the opinion of the directors of the Company, the above case did not have any material impact on the Company's consolidated financial statements for the year ended 31 December 2013 as the amount claimed by the Plaintiff C was included in trade payables and administrative expenses.

(d) On 19 September 2010, the Company filed a writ against 陝西新三秦彩綱有限公司 ("the Defendant") at the People's Court. The Company claimed that due to the collapse of factory built by the Defendant, the Company suffered from loss of inventories and plant and machineries at amount of approximately RMB2,119,892. The Company requested the People's Court to resolve the dispute by requesting the Defendant to compensate for it. As a result, the Defendant 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. At the same time, the Group was also demanded to repay the Defendant of construction costs at RMB627,843. 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 year ended 31 December 2013 as the amount of construction cost was included in other payables.

Subsequent to the report date, the Company appealed to the Court and requested it to commute by requesting the Defendant to compensate the Company the original claim amount and to waive the amount to be repaid to the Defendant.

40. EVENT AFTER THE REPORTING PERIOD

On 10 January 2014, the Company and 海天投資 entered into a disposal agreement for the disposal of the building at a total consideration of RMB68,000,000. The disposal transaction constitutes a major transaction for the Company and approval from the shareholders of the Company has been granted on the extraordinary general meeting of the Company held on 11 March 2014. The disposal was not completed as of the date of approval of these consolidated financial statements. The detail of disposal has been set out on Note 15.

Financial Summary

	Year ended 31 December				
	2009	2010	2011	2012	**2013**
	RMB	*RMB*	*RMB*	RMB	***RMB***
RESULTS					
Revenue	195,410,138	68,469,673	50,886,381	46,569,471	**25,189,899**
(Loss) profit before tax	(25,794,050)	(81,373,761)	(43,078,833)	9,688,840	**(12,467,709)**
Income tax (expense) credit	(725,868)	1,008,690	600,000	2,715,121	**(2,726,801)**
(Loss) profit and total comprehensive (expense) income for the year	(26,519,918)	(80,365,071)	(42,478,833)	12,403,961	**(15,194,510)**

	As at 31 December				
	2009	2010	2011	2012	**2013**
	RMB	*RMB*	*RMB*	RMB	***RMB***
ASSETS AND LIABILITIES					
Total assets	393,688,278	303,155,295	213,227,619	162,840,093	**172,008,445**
Total liabilities	(267,783,271)	(257,615,359)	(210,166,516)	(135,457,649)	**(159,820,511)**
Total equity	125,905,007	45,539,936	3,061,103	27,382,444	**12,187,934**