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)

Annual Report 2014

*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")

No.66 Jinye Road
National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B, 16th Floor, Yam Tze Commercial Building
23 Thomson Road, Wanchai
Hong Kong

GEM STOCK CODE

8227

WEBSITE

www.xaht.com

LEGAL ADVISERS AS TO HONG KONG LAW

Cheung & Lee
21/F., Bank of China Tower
1 Garden Road
Central, Hong Kong

AUDITOR

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

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

Ms. Huang Jing (黃婧女士) (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)
Ms. Huang Jing (黃婧女士)
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
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank
No. 42 Gao Xin Lu
Yanta District
Xi'an, Shaanxi Province, The People's Republic of China

Bank of Ningxia
No. 3 Tang Yan Lu
Yanta District
Xi'an, Shaanxi Province, The People's Republic of China

Agricultural Bank of China
No. 64 Nan Guan Zheng Jie
Beilin District
Xi'an, Shaanxi Province, The People's Republic of China

Bank of Xi'an
No. 48 Jian Guo Lu
Beilin District
Xi'an, Shaanxi Province, The People's Republic of China

China Everbright Bank
No. 60 Nan Er Huan Xi Duan
Yanta District
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 2014 on behalf of the board of Directors (the "Board").

In 2014, 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, 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 as well as international trading operation. The Group has also commenced accumulation of new technology in the areas of aerospace and underwater monitoring as well as automobile electronics related products, thereby laying a solid foundation for our product transformation and business development in 2015.

From the second half of 2014 to early 2015, by seeking new strategic investors, the Company completed the approval procedure for an equity private placement involving 300,000,000 new H shares, which is expected to raise approximately HKD56 million. The private placement had helped replenishing the Company's operating cash flow and creating a strong basis for the business development of the Company in 2015.

The Group plans to optimise resources allocation, make active R&D efforts for tapping into new business areas, maintain the existing niche and seek for additional financing channels in 2015 to gain new access of funding, grow into diversified operations and strive for better performance.

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

Xiao Bing
Chairman

Xi'an, the PRC
20 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

Revenue recorded for the year ended 31 December 2014 was approximately RMB11.0 million, representing a significant decrease of approximately 56.3% from the year of 2013 as when comparing to RMB25.2 million in 2013. Both revenue from sales and services were dropped significantly as a result of prolonged price competition in existing product line of antennas and services for telecommunication industry throughout the year, and the Group concentrated more resources and effort into the new product line of radio-frequency module during the year which was introduced in the second half of 2013.

Approximately 39% of revenue was generated from export business during the year whereas approximately 3% in 2013. It is mainly attributable to subcontracting income of radio-frequency module, all of which was come from overseas market and accounted for approximately 37% of revenue for the year.

Service income was mainly attributable to network inspection and maintenance services which were accounted for approximately 20% of revenue for the year as the same as those for 2013. Nevertheless indispensable demand for network improvement, revenue was dropped by approximately RMB2.8 million for the year under low pricing strategy.

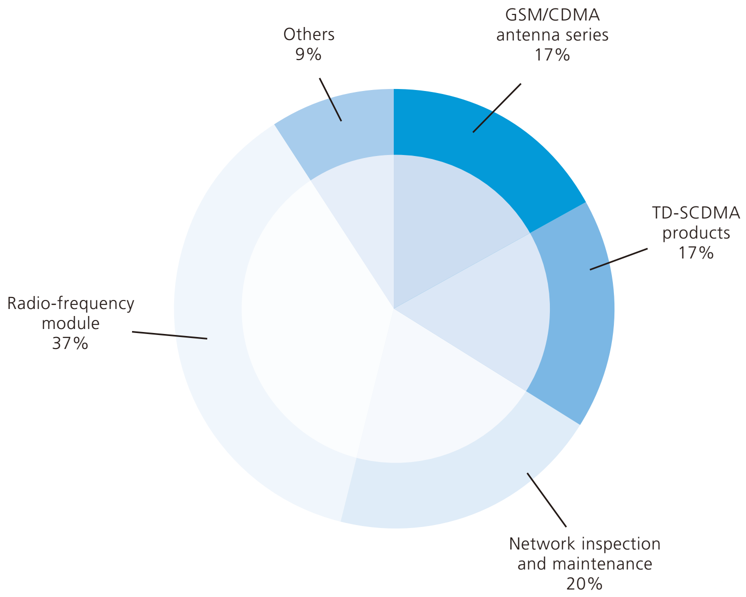
Facing to continuing intensive price competition, less than 1% of revenue was contributed from indoor and outdoor signal services and testing laboratory services, compared to approximately 7% and 3% respectively in 2013.

Revenue from sales of GSM/CDMA antenna series products for the year was decreased from approximately RMB2.6 million in 2013 to approximately RMB1.8 million in 2014, representing a decrease of approximately 30.8%. Sales of TD-SCDMA products remained stable and were slightly increased from approximately from RMB1.6 million in 2013 to approximately RMB1.8 million in 2014, representing an increase of approximately 12.5%. No income was generated from sales of smart antenna for the year which was accounted for RMB11.9 million of revenue in 2013.

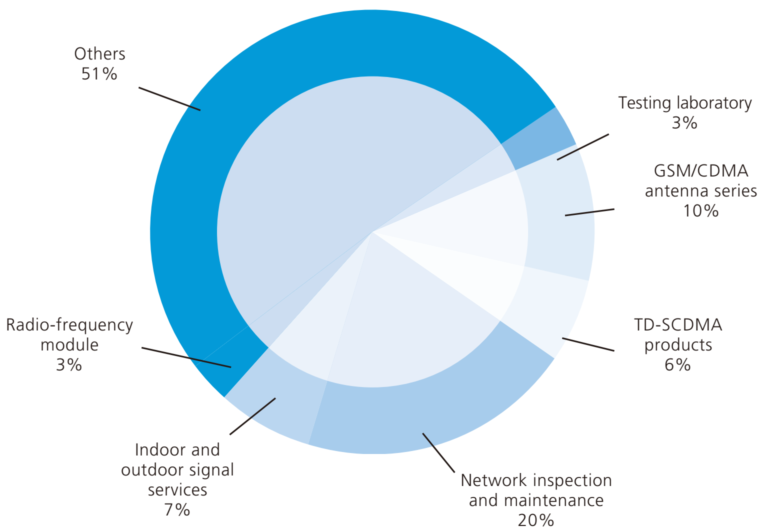
Approximately RMB4.9 million of revenue was generated from the three major telecommunication operators, compared to approximately RMB4.7 million in 2013 under the policy of diversification of customer base to local agents and international suppliers for telecommunication facilities. More effort was devoted to radio-frequency module for market diversification during the year.

Composite of revenue by product line for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, are provided as follows:

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

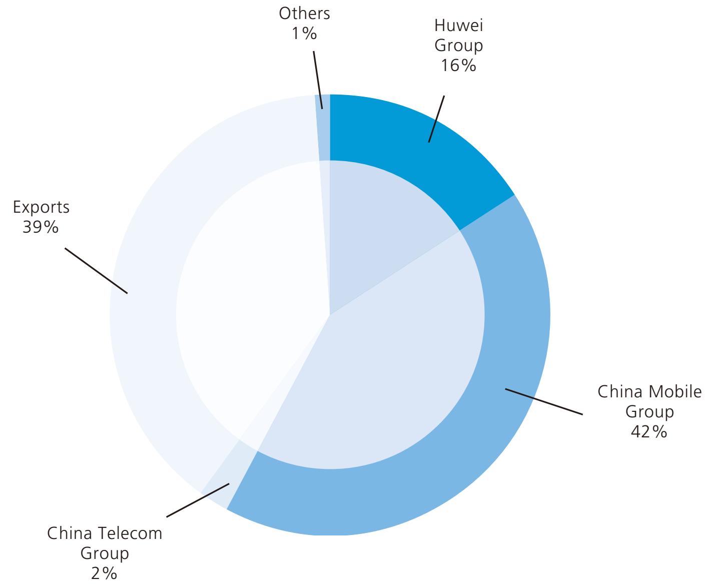


For the year ended 31 December 2013 (by product line)

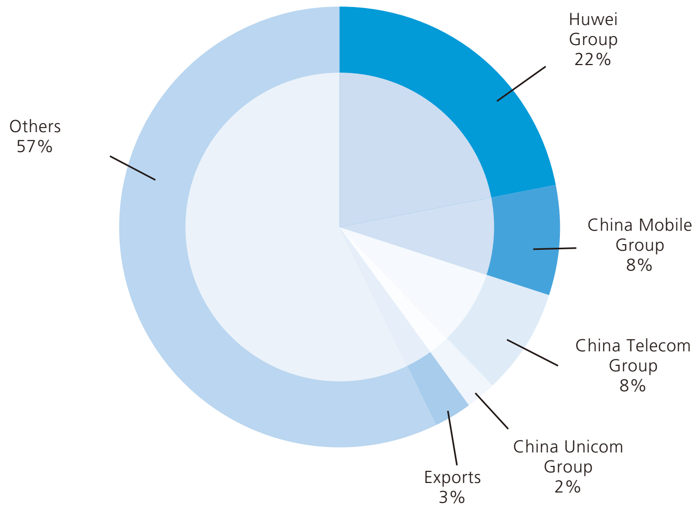


Composite of revenue by major customers for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, are provided as follows:

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



For the year ended 31 December 2013 (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 RMB0.8 million was recorded for the year with gross profit margin of approximately 7.4%, representing a decrease of approximately 55.4% as comparing to gross profit margin of approximately 16.6% in 2013. This unfavourable change was attributable to not only no sales in high profitable smart antenna for the year, but also the recognition of net allowance for inventories amounted to RMB3.9 million during the year, compared to RMB0.9 million in 2013.

Other Revenue

Approximately RMB6.7 million was recognised as other revenue for the year, representing approximately 58.5% of other revenue in 2013. Impairment loss on trade receivables, other receivables and prepayments amounted to approximately RMB2.1 million, compared to approximately 5.7 million in 2013, was reversed for the year as a result of further recovery from overdue and impaired debts. Gain on debts restructuring in respect of wavier of trade and other payables was accounted for approximately RMB1.6 million for the year, compared to approximately RMB3.3 million in 2013, which further reduced the Group's controversial business obligations and liabilities.

Operating Costs and Expenses

Distribution costs for the year were approximately RMB2.0 million, representing an increase of approximately RMB0.5 million or 33.3% comparing to the year of 2013, due to approximately RMB0.6 million costs of construction work in sales office incurred during the year.

The cost control strategy on operations was still implemented that total administrative expenses were decreased to approximately RMB11.5 million, representing a decrease by approximately RMB2.2 million or 16.1% comparing to the year of 2013. Depreciation of property, plant and equipment and amortisation of intangible assets were reduced by approximately RMB1.2 million and RMB2.2 million respectively as no material acquisition of and investment in fixed assets was made during the year after disposal, written off and impairment loss recognised in previous years. In additions, no commission for debts collection was incurred during the year whereas approximately RMB1.2 million was recognised in 2013. In turn, approximately RMB1.2 million staff costs were increased for the year under the prevailing remuneration policy.

Approximately RMB2.3 million of finance costs were recognised during the year, representing an increase of approximately 64.3% compared to approximately RMB1.4 million in 2013. Over RMB101 million interest-bearing bank borrowings were raised during the year for the operations and export sales, comparing to approximately RMB44 million in 2013.

Gain on disposal of asset classified as held for sale of approximately RMB7.6 million was recognised during the year for the disposal of building which was approved by shareholders in early of 2014.

Impairment loss on trade receivables amounted to approximately RMB1.4 million was recognised during the year of which over RMB1 million was attributable to those debts ageing over 1 year. Approximately RMB0.4 million impairment loss was recognised in respect of other receivables and prepayments that accumulated impairment decreased from approximately 45.2% of total other receivables and prepayments in 2013 to approximately 29.9% in 2014 when total other receivables and prepayments were decreased from approximately RMB10.0 million at 31 December 2013 to approximately RMB8.1 million at 31 December 2014.

No impairment of intangible assets was recognised during the year as all of intangible assets were fully amortised and impaired in previous years.

Following disposal of 9.74% out of 15.38% equity interest in an associate and reclassification of the associate into available-for sale investment in 2013, no further operating results attributable to the associate was recognised.

Under-provision of profits tax and income tax of approximately RMB0.7 million was provided for previous years.

Loss for the year

Consequently, loss attributable to shareholders of approximately RMB3.6 million was reported by the Group for the year which represented an improvement in operating results of the Group when comparing to approximately RMB15.2 million loss in 2013.

PROSPECTS

With China Mobile Group leading the 4G market for more than a year, on 27 February 2015, the Ministry of Industry and Information Technology of the PRC officially awarded 4G FDD licenses to China Telecom Group and China Unicom Group, which meant the two operators are authorised to carry on nationwide 4G operations. China Telecom Group and China Unicom Group will be able to break through the limits of trial cities and conduct large-scale 4G operations throughout China, thus narrowing the gap in 4G operation between China Mobile Group and these two operators. However, based on years of experience in operating base station antennas for mobile communication, as well as analysis of the current profit level in the market, while the aggregate market demand for antenna has picked up in 2015, the 4G antenna market has also evolved into a phase of intensifying price competition with substantial fall in product profitability.

To cope with these circumstances, the Group will continue to reduce follow-up 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 areas of mobile communication system module and related testing and tuning/adjusting businesses. In addition, the Company will increase investments in the fields of marine, underwater and underground monitoring and inspection, product research and development of aircraft, spacecraft and core components, and research and development of automobile electronics and key components by leveraging on resources previously accumulated in other new products and projects. The Group will strive to realise strategic product diversification in 2015, expand the scope of development of the Group, and thereby enhance the operating performance of the Group.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by cash from banking facilities and borrowings. As at 31 December 2014, the Group had bank borrowings of approximately RMB20.0 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 of 7.8% per annum. Majority of borrowings were denominated in RMB during the year. Details of policy in respect of foreign currency risk are disclosed in Note 6 to the consolidated financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

As at 31 December 2014, the Group's gearing ratio was 232.6% (2013: 362.5%), which is calculated based on total interest-bearing borrowings of approximately RMB20.0 million over total shareholders' funds of approximately RMB8.6 million. Cash and cash equivalents decreased approximately from RMB1.5 million to RMB1.2 million. The Group's pledged bank deposits were deposited with banks to secure the quality of the products sold to certain customers and were denominated in RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2014, 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 2014, the Group pledged bank deposits of approximately RMB0.1 million for the qualify of products sold to customers.

CONTINGENT LIABILITIES

As at 31 December 2014, except for those disclosed in Note 39 to the consolidated financial statements, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 43 (2013: 56) full-time employees. Total staff costs for the year 2014 amounted to approximately RMB2.9 million (2013: RMB4.5 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 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2014, 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 2014.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2014, sales to the top five customers and the largest customer accounted for approximately 98.4% (2013: 93.5%) and 42.2% (2013: 47.2%) respectively of the Group's revenue.

For the year ended 31 December 2014, purchases from the top five suppliers and the largest supplier accounted for approximately 82.1% (2013: 83.7%) and 50.7% (2013: 77.5%) respectively of the Group's total purchases.

During the year ended 31 December 2014, the Group purchased from Xi'an Sunnada Haitian Antenna Co., Ltd. ("Xi'an Sunnada"), an entity held as available-for-sale investment, amounting to approximately RMB3.3 million (2013: RMB1.5 million), which represented the largest supplier to the Group. The Group did not generate any revenue from Xi'an Sunnada during the year (2013: 2.7 million). 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 2014.

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 2014, the Board comprised nine Directors including Mr. Xiao Bing (chairman) and Mr. Yan Weimin 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 Ms. Bao Yujie 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 2014, 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 2014, 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 2014, the Board held 10 meetings.

Details of Directors' attendance records in 2014:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Xiao Bing	10/10	1/1
Mr. Yan Weimin (appointed on 8 April 2014)	7/7	0/1
Mr. Zuo Hong (resigned on 8 April 2014)	3/3	0/0
Non-Executive Directors		
Mr. Sun Wenguo	5/10	0/1
Mr. Li Wenqi	9/10	1/1
Mr. Yan Feng	10/10	0/1
Mr. Xie Yiqun	8/10	1/1
Independent Non-Executive Directors		
Mr. Zhang Jun	5/10	0/1
Mr. Chen Ji	10/10	0/1
Ms. Bao Yujie (appointed on 8 April 2014)	7/7	0/1
Mr. Qiang Wenyu (resigned on 8 April 2014)	2/3	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 2014 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. Yan Weimin (appointed on 8 April 2014)	✓
Mr. Zuo Hong (resigned on 8 April 2014)	✓
Non-Executive Directors	
Mr. Sun Wenguo	✓
Mr. Li Wenqi	✓
Mr. Yan Feng	✓
Mr. Xie Yiqun	✓
Independent Non-Executive Directors	
Mr. Zhang Jun	✓
Mr. Chen Ji	✓
Ms. Bao Yujie (appointed on 8 April 2014)	✓
Mr. Qiang Wenyu (resigned on 8 April 2014)	✓

DIRECTORS' SECURITIES TRANSACTIONS

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

INDEPENDENCE

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

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005 and consists of three members, majority of which being independent non-executive Directors. Currently, the Chairman of the committee is Ms. Bao Yujie (resigned on 13 February 2015 and appointed Ms. Huang Jing on 13 February 2015), 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 2 meetings in 2014 and was attended by committee members. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Sun Wenguo	2/2
Independent Non-Executive Directors	
Mr. Chen Ji	2/2
Ms. Bao Yujie (appointed on 8 April 2014)	1/1
Mr. Qiang Wenyu (resigned on 8 April 2014)	1/1

During the financial year ended 2014, 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 Ms. Bao Yujie (resigned on 13 February 2015 and apponinted Ms. Huang Jing on 13 February 2015) 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 3 meetings in 2014 and was attended by committee members for the selection and recommendation of candidates for directorship having regard to the relevance of skills and experience appropriate to the Group's business. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Xie Yiqun	3/3
Independent Non-Executive Directors	
Mr. Zhang Jun	3/3
Ms. Bao Yujie (appointed on 8 April 2014)	2/2
Mr. Qiang Wenyu (resigned on 8 April 2014)	1/1

During the financial year ended 2014, 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 2014.

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

The Audit Committee held 10 meetings in 2014 discussing the Group's annual results for 2013, quarterly results for 2014, 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	9/10
Independent Non-Executive Directors	
Mr. Zhang Jun	5/10
Mr. Chen Ji	10/10

During the financial year ended 2014, 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 2014, the fees paid and payable to external auditor for audit services and other services amounted to RMB480,000 and RMB60,000 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.

There is no significant change in the Company's articles of association during the financial year ended 2014.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xiao Bing (肖兵先生), aged 49, 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. Yan Weimin (燕衛民先生), aged 47, graduated from Central South University* (中南大學) in 1989 majoring in automation and obtained an EMBA degree of United Business Institutes in Belgium in 2009. He has 20 years experience in the trading of mineral products. During 1989 and 1997, Mr. Yan served in China Metallurgical Import & Export Company* (中國煉金進出口公司, currently known as Sinosteel Corporation* (中國中鋼集團公司)), mainly responsible for the trading of iron and manganese ore between the steel sector of China and companies in Australia. During 1997 and 2007, Mr. Yan served in Shanghai Aijian Holding Co., Ltd.* (上海愛建股份有限公司), in charge of the trading of mineral products and also involved in Oil for Food Deal between United Nation and Iraq. Since 2007, Mr. Yan has served as different posts, including the general manager of Shanghai Guohong Trading Co. Ltd.* (上海國弘貿易有限公司) and the chairman of Shanghai Yingyue Industrial Co. Ltd.* (上海鷹悦實業有限公司). In addition, he has been appointed as a non-executive director of Honbridge Holdings Ltd.* (洪橋集團有限公司), a company listed on The Stock Exchange of Hong Kong Limited, since 2010, responsible for the communication with China's steel conglomerates, mining corporations, port and mining construction enterprises.

Non-Executive Directors

Mr. Sun Wenguo (孫文國先生), aged 39, 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 49, 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 41, 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 56. 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 46, 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 39, 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. Since 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. Mr. Chen was vice-chairman of Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司), a company listed on The Shanghai Stock Exchange, for the period from November 2012 to November 2014. Mr. Chen was appointed as director and elected as chairman and chief executive officer of Zhejiang Xinlian Co., Ltd.* (浙江信聯股份有限公司) on 2 March 2015 and 3 March 2015 respectively.

Ms. Bao Yujie (鮑玉潔女士), aged 23, who is currently pursing advanced studies in the Business School of Nanjing University* (南京大學商學院), major in accounting for international business, has been a deputy general manager of Henan Yufeng Compund Fertilizer Co., Ltd.* (河南裕豐複合肥) since 2008; and a director of Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司, formerly known as Shanghai Chenghai Enterprise Development Co.,Ltd.* (上海澄海企業發展股份有限公司)), a company listed on The Shanghai Stock Exchange, since July 2010.

Ms. Bao resigned as independent non-executive Director of the Company on 13 February 2015.

SUPERVISORS

Ms. Huang Jing (黃婧女士), aged 30, 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 Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司) from May 2011 to January 2014. Ms. Huang was appointed as director of Zhejiang Xinlian Co., Ltd.* (浙江信聯股份有限公司) on 2 March 2015.

Ms. Huang resigned as Supervisor and was appointed as independent non-executive Director of the Company on 13 February 2015.

Mr. Bai Fubo (白伏波先生), aged 57, 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.

Ms. Shen Yi (沈怡女士), aged 37, graduated from Shanghai University of Finance and Economics* (上海財經大學) in June 2005 with a bachelor degree. Ms. Shen obtained the Medium Level Accountant qualification. She earned a Japanese-Language Proficiency Test (JLPT) N2 certification in 2010 and a Chief Financial Officer Qualification Certificate from Shanghai University of Finance and Economics in October 2012. Ms. Shen has worked for various companies: from 2000 to 2003, she was in charge of the accounting division of ShanghaiYuyuan FC* (上海豫園足球俱樂部); from 2003 to 2006, she served as financial manager of Zhenying (Shanghai) Electronics Trading Company Limited* (振營(上海)電子貿易有限公司); from 2006 to 2007, she was appointed as the chief financial officer of Shanghai Guohong Trading Co. Ltd.* (上海國弘貿易有限公司); from 2007 to 2013, she served as the chief financial officer of Shanghai Yingyue Industrial Co. Ltd.* (上海鷹悦實業有限公司); since January 2014, she has been the deputy officer in the finance department of Xi'an Haitian Antenna Technologies Co., Ltd.* (西安海天天綫科技股份有限公司). Having worked in the financial field for more than 10 years, Ms. Shen has extensive experience in finance and financial management and is well capable of making professional judgments and competent in financial analysis.

SENIOR MANAGEMENT

Mr. Wang Yun (王贇先生), aged 34, 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 2014, 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 2014 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 2014 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

Ms. Shen Yi
Chairman

Xi'an, the PRC
20 March 2015

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2014.

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 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2014.

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 2014.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2014 is set out on page 85 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. Yan Weimin (appointed on 8 April 2014)
Mr. Zuo Hong (resigned on 8 April 2014)

Non-Executive Directors:
Mr. Sun Wenguo (Vice-chairman)
Mr. Li Wenqi
Mr. Yan Feng
Mr. Xie Yiqun (Vice-chairman)

Independent Non-Executive directors:
Mr. Zhang Jun
Mr. Chen Ji
Ms. Huang Jing (appointed on 13 February 2015)
Ms. Bao Yujie (appointed on 8 April 2014 and resigned on 13 February 2015)
Mr. Qiang Wenyu (resigned on 8 April 2014)

Supervisors:
Mr. Bai Fubo
Ms. Shen Yi (appointed on 17 April 2014)
Mr. Xu Hao (resigned on 17 April 2014)
Ms. Huang Jing (resigned on 13 February 2015)

1. Directors' and Supervisors' Service Contracts

Each of the Directors and the Supervisors has entered into a service contract with the Company for a term valid until 28 June 2016 subject to renewal upon approval by the Shareholders for one or more consecutive terms of three years. In respect, of appointment, of Ms. Huang Jing after resignation of Ms. Bao Yujie as independent non-executive Director on 13 February 2015, the service contract with Ms. Huang Jing was entered into for a term valid to next annual general meeting.

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.

3. Appointment outstanding of supervisor

Following the resignation of Ms. Huang Jing as supervisor on 13 February 2015, the Company plans as appoint another independent supervisor as soon as practicable and is in the course of identifying a suitable candidate.

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 2014, 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 ("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	Approximate percentage in the enlarged issued share capital of the Company *(Note 3)*
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation	180,000,000 *(Note 1)*	37.09%	27.82%	19.01%
Mr. Zuo Hong (左宏先生)	Personal	Held by controlled corporation	75,064,706 *(Note 2)*	15.47%	11.60%	7.93%

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 his mother 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.

3. The issued share capital of the Company is to be enlarged by the issue and allotment of 300,000,000 H Shares pursuant to the subscription agreements (more particularly described in the circular dated 25 August 2014). The subscription agreements were approved by shareholders of the Company on 10 October 2014. Approvals of the China Securities Regulatory Commission and the Stock Exchange were obtained on 29 December 2014 and 12 January 2015 respectively and the H Shares are to be issued in 2015 in accordance with subscription agreements.

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 2014 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 (THE "H SHARE")

As at 31 December 2014, 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 2014, 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

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	Approximate percentage in the enlarged issued share capital of the Company *(Note 4)*
Tian An Investment	Corporate	Beneficial owner	180,000,000 *(Note 1)*	37.09%	27.82%	19.01%
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert	180,000,000 *(Note 1)*	37.09%	27.82%	19.01%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 *(Note 1)*	37.09%	27.82%	19.01%
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%	10.56%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706 *(Note 2)*	15.47%	11.60%	7.93%
Ms. Yi Li (易麗女士)	Personal	Held by controlled corporation	75,064,706 *(Note 2)*	15.47%	11.06%	7.93%

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	Approximate percentage in the enlarged issued share capital of the Company *(Note 4)*
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%	7.41%
Xi'an Finance Bureau* (西安市財政局)	Corporate	Held by controlled corporation	70,151,471 *(Note 3)*	14.46%	10.84%	7.41%
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%	7.41%

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 his mother Ms. Yao Wenli. Professor Xiao Liangyong is the father of and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, each of Professor Xiao Liangyong and Ms. Yao Wenli 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.

4. The issued share capital of the Company is to be enlarged by the issue and allotment of 300,000,000 H Shares pursuant to the subscription agreements (more particularly described in the circular dated 25 August 2014). The subscription agreements were approved by shareholders of the Company on 10 October 2014. Approvals of the China Securities Regulatory Commission and the Stock Exchange were obtained on 29 December 2014 and 12 January 2015 respectively and the H Shares are to be issued in 2015 in accordance with subscription agreements.

(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

Name of 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	Approximate percentage in the enlarged issued share capital of the Company *(Note 8)*
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%	5.71%
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%	5.71%

Long positions in H Shares

Name of 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	Approximate percentage in the enlarged issued H Shares of the Company *(Note 8)*	Approximate percentage in the enlarged issued share capital of the Company *(Note 8)*
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 *(Note 2)*	8.04%	2.01%	2.82%	1.37%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 *(Note 2)*	6.50%	1.63%	2.28%	1.11%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 *(Note 2)*	5.44%	1.36%	1.91%	0.93%

Name of shareholder	Type of interest	Capacity	Number of H Shares to be issued and allotted *(Note 8)*	Approximate percentage in the total issued H Shares of the Company	Approximate percentage in the total issued share capital of the Company	Approximate percentage in the enlarged issued H Shares of the Company *(Note 8)*	Approximate percentage in the enlarged issued share capital of the Company *(Note 8)*
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Corporate	Beneficial owner	80,000,000 *(Note 3)*	49.45%	12.36%	17.32%	8.45%
Mr. Duan Bin (段斌先生)	Personal	Held by controlled corporation	80,000,000 *(Note 3)*	49.45%	12.36%	17.32%	8.45%
Great Harmony Ventures Limited (大同創投有限公司)	Corporate	Beneficial owner	60,000,000 *(Note 4)*	37.09%	9.27%	12.99%	6.34%
Ms. Yin Shan (殷珊女士)	Personal	Held by controlled corporation	60,000,000 *(Note 4)*	37.09%	9.27%	12.99%	6.34%
Long Apex Limited	Corporate	Beneficial owner	60,000,000 *(Note 5)*	37.09%	9.27%	12.99%	6.34%
Mr. Guo Yanjun (郭燕軍先生)	Personal	Held by controlled corporation	60,000,000 *(Note 5)*	37.09%	9.27%	12.99%	6.34%
Campari Winner Limited	Corporate	Beneficial owner	50,000,000 *(Note 6)*	30.91%	7.73%	10.83%	5.28%
Ms. Lu Jinhua (陸謹華女士)	Personal	Held by controlled corporation	50,000,000 *(Note 6)*	30.91%	7.73%	10.83%	5.28%
Variant Wealth Limited	Corporate	Beneficial owner	50,000,000 *(Note 7)*	30.91%	7.73%	10.83%	5.28%
Ms. Sun Siwei (孫思瑋女士)	Personal	Held by controlled corporation	50,000,000 *(Note 7)*	30.91%	7.73%	10.83%	5.28%

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.

3. The H Shares are to be issued and allotted to Hongkong Jinsheng Enterprise Co., Limited, which is beneficially owned as to 80% by Mr. Duan Bin. By virtue of the SFO, Mr. Duan Bin was deemed to be interested in the same 80,000,000 H Shares to be issued and allotted to Hongkong Jinsheng Enterprise Co., Limited.

4. The H Shares were issued and allotted to Great Harmony Ventures Limited on 30 January 2015, which is beneficially and wholly owned by Ms. Yin Shan. By virtue of the SFO, Ms. Yin Shan was deemed to be interested in the same 60,000,000 H Shares to be issued and allotted to Great Harmony Ventures Limited.

5. The H Shares are to be issued and allotted to Long Apex Limited, which is beneficially and wholly owned by Mr. Guo Yanjun. By virtue of the SFO, Mr. Guo Yanjun was deemed to be interested in the same 60,000,000 H Shares to be issued and allotted to Long Apex Limited.

6. The H Shares were issued and allotted to Campari Winner Limited on 6 February 2015, which is beneficially and wholly owned by Ms. Lu Jinhua. By virtue of the SFO, Ms. Lu Jinhua was deemed to be interested in the same 50,000,000 H Shares to be issued and allotted to Campari Winner Limited.

7. The H Shares were issued and allotted to Variant Wealth Limited on 30 January 2015, which is beneficially and wholly owned by Ms. Sun Siwei. By virtue of the SFO, Ms. Sun Siwei was deemed to be interested in the same 50,000,000 H Shares to be issued and allotted to Variant Wealth Limited.

8. The issued share capital of the Company is to be enlarged by the issue and allotment of 300,000,000 H Shares pursuant to the subscription agreements (more particularly described in the circular dated 25 August 2014). The subscription agreements were approved by shareholders of the Company on 10 October 2014. Approvals of the China Securities Regulatory Commission and the Stock Exchange were obtained on 29 December 2014 and 12 January 2015 respectively and the H Shares are to be issued in 2015 in accordance with subscription agreements.

Save as disclosed above, as at 31 December 2014, 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 2014.

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 2014.

CORPORATE GOVERNANCE

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Except for an incidental event of 400,000 H Shares, representing 0.06% of total issued share capital, held by Mr. Zhang Jun, an independent non-executive Director, during the year which were sold immediately when the Company became aware of it, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2014 and as at the date of this report.

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
20 March 2015

Independent Auditor's Report

信永中和
ShineWing

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 31 to 85, which comprise the consolidated statement of financial position as at 31 December 2014, 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 2014, 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
20 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB	2013 RMB
Revenue	7	**11,028,978**	25,189,899
Cost of sales		**(10,208,060)**	(21,001,320)
Gross profit		**820,918**	4,188,579
Other revenue	8	**6,742,896**	11,379,753
Gain on disposal of asset classified as held for sale	28	**7,558,307**	–
Gain on disposal of partial interest in an associate	17	**–**	5,135,783
Distribution costs		**(2,047,505)**	(1,563,169)
Administrative expenses		**(11,486,478)**	(13,669,180)
Impairment loss recognised in respect of available-for-sale investment	18	**(305,080)**	–
Impairment loss recognised in respect of trade receivables	21	**(1,383,282)**	(5,306,232)
Impairment loss recognised in respect of other receivables and prepayments	22	**(408,048)**	(2,624,957)
Impairment loss recognised in respect of intangible assets	16	**–**	(2,864,120)
Share of result of an associate	17	**–**	(5,791,249)
Finance costs	9	**(2,332,219)**	(1,352,917)
Loss before tax		**(2,840,491)**	(12,467,709)
Income tax expense	10	**(782,442)**	(2,726,801)
Loss and total comprehensive expense for the year	11	**(3,622,933)**	(15,194,510)
Loss per share – Basic and diluted	14	**(0.56 cents)**	(2.35 cents)

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB	2013 RMB
Non-current assets			
Property, plant and equipment	15	235,511	112,923
Intangible assets	16	–	–
Interest in an associate	17	–	–
Available-for-sale investment	18	988,500	1,293,580
Pledged bank deposits	19	–	90,429
Deferred tax assets	29	–	–
		1,224,011	1,496,932
Current assets			
Inventories	20	2,435,177	38,405,278
Trade receivables	21	95,473,164	37,947,885
Other receivables and prepayments	22	5,673,501	5,469,408
Amount due from a director	23	–	1,113,273
Amount due from a related party	24	26,500,669	–
Tax recoverable		–	677,390
Pledged bank deposits	19	90,429	25,000,000
Bank balances and cash	19	1,206,601	1,456,586
		131,379,541	110,069,820
Asset classified as held for sale	28	–	60,441,693
		131,379,541	170,511,513
Current liabilities			
Trade payables	25	76,235,661	42,435,228
Other payables and accrued charges	26	25,928,657	21,322,749
Tax payables		64,206	–
Amounts due to directors	23	686,827	5,771,564
Amounts due to related parties	24	–	43,061,580
Bank and other borrowings	27	20,000,000	44,178,990
		122,915,351	156,770,111
Net current assets		8,464,190	13,741,402
Total assets less current liabilities		9,688,201	15,238,334

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB	2013 RMB
Non-current liability			
Deferred income	*30*	**1,123,200**	3,050,400
Net assets		**8,565,001**	12,187,934
Capital and reserves			
Share capital	*31*	**64,705,882**	64,705,882
Reserves	*32*	**(56,140,881)**	(52,517,948)
Equity attributable to owners of the Company and total equity		**8,565,001**	12,187,934

The consolidated financial statements on pages 31 to 85 were approved and authorised for issue by the board of directors on 20 March 2015 and are signed on its behalf by:

Xiao Bing	**Yan Weimin**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	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 2013	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
Loss and total comprehensive expense for the year	–	–	–	–	(3,622,933)	(3,622,933)
At 31 December 2014	**64,705,882**	**71,228,946**	**16,153,228**	**15,856,279**	**(159,379,334)**	**8,565,001**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 *RMB*	2013 *RMB*
OPERATING ACTIVITIES		
Loss before tax	**(2,840,491)**	(12,467,709)
Adjustments for:		
Allowance for inventories	**3,923,928**	9,564,195
Reversal of allowance for inventories	**–**	(8,660,871)
Amortisation of intangible assets	**–**	2,181,700
Depreciation of property, plant and equipment	**14,846**	1,708,741
Finance costs	**2,332,219**	1,352,917
Government grants	**(122,900)**	(370,300)
Government grants amortised	**(2,547,900)**	(1,927,200)
Gain on disposal of asset classified as held for sale	**(7,558,307)**	–
Impairment loss recognised in respect of available-for-sale investment	**305,080**	–
Impairment loss recognised in respect of intangible assets	**–**	2,864,120
Impairment loss recognised in respect of trade receivables	**1,383,282**	5,306,232
Impairment loss reversed in respect of trade receivables	**(915,664)**	(4,111,336)
Impairment loss recognised in respect of other receivables and prepayments	**408,048**	2,624,957
Impairment loss reversed in respect of other receivables and prepayments	**(1,204,127)**	(1,609,224)
Interest income	**(290,919)**	(15,843)
Loss on disposal and written-off of property, plant and equipment	**–**	1,297,116
Gain on disposal of partial interest in an associate	**–**	(5,135,783)
Share of result of an associate	**–**	5,791,249
Waiver of trade payables	**(1,055,668)**	(3,209,118)
Waiver of other payables	**(520,175)**	(136,732)
Operating cash flows before movements in working capital	**(8,688,748)**	(4,952,889)
Decrease (increase) in inventories	**32,046,173**	(13,432,799)
(Increase) decrease in trade receivables	**(57,992,897)**	3,489,882
Decrease in other receivables and prepayments	**591,986**	1,164,829
Increase in trade payables	**34,856,101**	24,700,395
Increase in other payables and accrued charges	**5,746,783**	835,582
Decrease in amount due to an associate	**–**	(21,606,311)
Cash generated from (used in) operating activities	**6,559,398**	(9,801,311)
Income tax paid	**(40,846)**	(11,680)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**6,518,552**	(9,812,991)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB	2013 RMB
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(137,434)**	(87,134)
Placement of pledged bank deposits	**–**	(25,000,000)
Repayment from (advance to) a director	**1,113,273**	(344,202)
Withdrawal of pledged bank deposits	**25,000,000**	400,000
Interest received	**290,919**	15,843
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**26,266,758**	(25,015,493)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**101,976,288**	44,166,870
Government grants received	**122,900**	370,300
Advance from an associate	**–**	669,699
Repayment of bank and other borrowings	**(126,155,278)**	(16,927,880)
(Repayment to) advances from directors	**(5,084,737)**	3,795,916
Interest paid	**(2,332,219)**	(1,352,917)
(Repayment to) advance from a related party	**(1,562,249)**	1,392,923
Dividend paid	**–**	(675,971)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(33,035,295)**	31,438,940
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(249,985)**	(3,389,544)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**1,456,586**	4,846,130
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash	**1,206,601**	1,456,586

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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRS Interpretations Committee) ("HK(IFRIC)") – Int 21	Levies

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. 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 have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. 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 cash generating unit is catergorised 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; and
- 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 have been applied retrospectively. The directors of the Company consider that the application of the amendments to HKAS 36 has resulted in more extensive disclosures in the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

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

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

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

HKFRS 9 Financial Instruments

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

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

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, 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.

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

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

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

HKFRS 9 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.

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

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

HKFRS 15 Revenue from Contracts with Customers

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

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

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

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

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

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

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvement to HKFRSs 2012 – 2014 Cycle

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

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

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

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

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

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

Annual Improvement to HKFRSs 2012 – 2014 Cycle *(Continued)*

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

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

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

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

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

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

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

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

New Hong Kong Companies Ordinance

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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.

Basis of consolidation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Subcontracting income is recognised when subcontracting services are provided. Revenue from subcontracting service is measured at consideration received for processed goods less cost incurred for the process.

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 lessee

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

Foreign currencies

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

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

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit

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

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

Government grants

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

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

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

Taxation

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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

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

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

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.

Impairment losses on tangible and intangible assets

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

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 range of credit period of 5 days to 240 days (2013: 5 to 240 days), observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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)*

Impairment loss on 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, amounts due to directors/related parties 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

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 2014, the carrying amount of property, plant and equipment of the Group was RMB235,511 (2013: RMB112,923).

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

Key sources of estimation uncertainty *(Continued)*

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 2014 and 2013, the carrying amount of intangible assets is nil. Impairment loss of RMB2,864,120 has been recognised in profit or loss during the year ended 31 December 2013 (2014: nil).

Estimated impairment loss of available-for-sale investment

The management assessed the recoverable amount of the available-for-sale investment based on the sale consideration for the disposal of such investment which is expected to be completed as stipulated in the related agreement and an impairment loss of RMB305,080 has been recognised in the profit or loss during the year ended 31 December 2014 (2013: nil). Should the completion of the disposal not take place in accordance with the sale agreement, the recoverable amount of the available-for-sale investment will have to be determined based on prevailing circumstances and a material impairment loss may arise.

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 2014, the carrying amount of inventories was RMB2,435,177 (2013: RMB38,405,278), net of allowance for inventories of RMB18,260,078 (2013: RMB14,336,150).

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 2014, the carrying amount of the trade receivables was RMB95,473,164 (2013: RMB37,947,885), net of allowance for doubtful debts of RMB25,666,143 (2013: RMB27,041,136). While the carrying amount of other receivables and prepayments are RMB5,673,501 (2013: RMB5,469,408), net of allowance for doubtful debts of RMB2,422,770 (2013: RMB4,518,468).

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 2014, the carrying amount of property, plant and equipment of the Group was RMB235,511 (2013: RMB112,923). No impairment has been made during the years ended 31 December 2014 and 2013.

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

	2014	2013
	RMB	*RMB*
Financial assets		
Available-for-sale investment	**988,500**	1,293,580
Loan and receivables (including cash and cash equivalents)	**127,876,923**	68,046,048
Financial liabilities		
Amortised cost	**114,811,159**	147,838,696

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade receivables, other receivables, amounts due from/to directors and related parties, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Foreign currency risk

The Company and several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Approximately 37% (2013: 50%) of the Group's sales is denominated in the United States Dollars ("USD"), whilst its operating costs and cost of sales are almost denominated in RMB. Certain bank balances, trade receivables, trade payables and bank borrowings of the Group are denominated in currencies other than the group entity's functional currency. Such bank balances, trade receivables, trade payables and bank borrowings are exposed to fluctuations in the value of RMB against the relevant currencies in which these bank balances, trade receivables, trade payables and bank borrowings are denominated. Any significant appreciation/depreciation of the RMB against these foreign currencies may result in significant exchange gain/loss which would be recorded in the consolidated statement of profit or loss and other comprehensive income.

	Assets		Liabilities	
	2014	2013	**2014**	2013
	RMB	*RMB*	***RMB***	*RMB*
HKD	**722**	–	**–**	–
USD	**76,365,422**	14,733,631	**64,628,293**	48,416,960

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against USD and HKD for the year ended 31 December 2014. 5% (2013: 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% (2013: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax loss for the year (2013: a negative number below indicates a decrease in post-tax loss for the year) where RMB strengthen 5% (2013: 5%) against the relevant currency. For a 5% (2013: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss after tax for the year.

	HKD		USD	
	2014	2013	**2014**	2013
	RMB	*RMB*	***RMB***	*RMB*
Loss after tax	**27**	–	**440,142**	(1,263,125)

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 27). The Group did not have an interest rate hedging policy. However, the management monitored interest rate exposure and considered other necessary action when significant interest rate exposure was anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see Note 19 for details of these bank deposits and balances) carried at prevailing market rate. The directors of the Company consider that the Group's exposure to these variable-rate pledged bank deposits and bank balances are not significant as these deposits and balances are within short maturity period of six months or less. 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 deposit rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank deposits and balances.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arisen from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

The Group has concentration of credit risk as 63% (2013: 54%) and 94% (2013: 81%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC and Asia excluding the PRC, which accounted for 36% (2013: 78%) and 64% (2013: 22%) of the total trade receivables as at 31 December 2014 respectively.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

As at 31 December and 2013, 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% and 100% respectively. As a result, bank borrowing of RMB20,000,000 became repayable on demand. No demand for immediate full repayment of the bank borrowings had been received by the Group as at 31 December 2013. The bank borrowings with breach of covenant had been repaid during the year ended 31 December 2014.

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 2014

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables (Continued)

At 31 December 2013

	On demand or within one year and total undiscounted cash flows	Carrying amount at 31 December 2013
	RMB	*RMB*
Non-derivative financial liabilities		
Trade payables	42,435,228	42,435,228
Other payables and accrued charges	12,391,334	12,391,334
Amounts due to directors	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

(c) Fair value

The fair value of financial assets other than available-for-sale investments (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:

	2014	2013
	RMB	*RMB*
Sales of antennas and related products	**4,706,304**	16,721,578
Service income	**2,257,731**	7,680,692
Subcontracting income	**4,064,943**	787,629
	11,028,978	25,189,899

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 antennas products and rendering of related services. Accordingly, no reportable segment is presented.

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	RMB	*RMB*	***RMB***	*RMB*
The PRC (country of domicile)	**6,765,390**	12,502,015	**235,511**	112,923
Asia excluding the PRC	**4,263,588**	12,687,884	**–**	–
	11,028,978	25,189,899	**235,511**	112,923

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:

	2014	2013
	RMB	*RMB*
Customer A	**4,659,065**	N/A[1]
Customer B	**4,064,943**	N/A[1]
Customer C	**1,750,075**	5,491,034
Customer D	**N/A[1]**	11,900,255

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

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

8. OTHER REVENUE

	2014 RMB	2013 RMB
Government grants *(Note)*	**122,900**	370,300
Government grants amortised *(Note 30)*	**2,547,900**	1,927,200
Impairment loss reversed in respect of trade receivables *(Note 21)*	**915,664**	4,111,336
Impairment loss reversed in respect of other receivables and prepayments *(Note 22)*	**1,204,127**	1,609,224
Waiver of trade payables	**1,055,668**	3,209,118
Waiver of other payables	**520,175**	136,732
Interest income	**290,919**	15,843
Others	**85,543**	–
	6,742,896	11,379,753

Note:

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

9. FINANCE COSTS

	2014 RMB	2013 RMB
Interests on bank and other borrowings wholly repayable within five years	**2,332,219**	1,352,917

10. INCOME TAX EXPENSE

	2014 *RMB*	2013 *RMB*
Current tax:		
Hong Kong profits tax	**55,693**	–
Under-provision in prior years:		
Hong Kong profits tax	**8,513**	–
PRC Enterprise Income Tax	**718,236**	11,680
	726,749	11,680
Deferred taxation *(Note 29)*	**–**	2,715,121
	782,442	2,726,801

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2014. No provision for taxation had been made for the year ended 31 December 2013 as there was no assessable profit for that year.

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

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

	2014 *RMB*	2013 *RMB*
Loss before tax	**(2,840,491)**	(12,467,709)
Tax at the domestic income tax rate of 25% (2013: 25%)	**(710,122)**	(3,116,927)
Tax effect of share of loss of an associate	**–**	1,118,319
Tax effect of expenses not deductible for tax purpose	**502,689**	1,273,453
Tax effect of income not taxable for tax purpose	**(9)**	(986,866)
Tax effect on tax losses not recognised	**711,982**	3,660,116
Tax effect of deductible temporary differences not recognised	**898,866**	778,488
Utilisation of tax loss previously not recognised	**(1,319,025)**	–
Effect of different tax rate of a subsidiary operating in other jurisdiction	**(28,688)**	(11,462)
Under-provision in prior years	**726,749**	11,680
Income tax expense	**782,442**	2,726,801

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

11. LOSS FOR THE YEAR

	2014 *RMB*	2013 *RMB*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**14,846**	1,708,741
Amortisation of intangible assets (included in administrative expenses)	**–**	2,181,700
Total depreciation and amortisation	**14,846**	3,890,441
Auditor's remuneration		
– audit services	**480,000**	440,000
– other services	**60,000**	157,000
Cost of inventories recognised as an expense	**3,852,419**	12,371,544
Staff costs		
– Directors' and supervisors' remuneration *(Note 12)*	**388,425**	470,408
– Salaries, wages and other benefits	**2,156,295**	3,594,540
– Retirement benefit scheme contributions (excluding directors and supervisors)	**345,172**	472,748
Total staff costs	**2,889,892**	4,537,696
Loss on disposal and written-off of property, plant and equipment	**–**	1,297,116
Allowance for inventories (included in cost of sales)	**3,923,928**	9,564,195
Reversal of allowance for inventories (included in cost of sales)	**–**	(8,660,871)
Exchange loss, net	**783,724**	113,461
Minimum lease payments under operating leases	**762,341**	180,576
Research and development costs recognised as an expense	**67,972**	2,586,956

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

Directors' emoluments

The emoluments paid or payable to each of the eleven (2013: ten) directors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Executive directors								
Xiao Bing	–	–	122,425	82,320	32,676	33,016	155,101	115,336
Yan Weimin (Appointed on 8 April 2014)	–	–	75,006	–	–	–	75,006	–
Zuo Hong (Resigned on 8 April 2014)	–	–	32,400	129,600	4,878	19,435	37,278	149,035
Non-executive directors								
Li Wenqi	–	–	6,000	6,000	–	–	6,000	6,000
Sun Wenguo	–	–	6,000	6,000	–	–	6,000	6,000
Xie Yiqun	–	–	6,000	6,000	–	–	6,000	6,000
Yan Feng	–	–	6,000	6,000	–	–	6,000	6,000
Independent non-executive directors								
Professor Gong Shuxi (Retired on 28 June 2013)	–	–	–	18,000	–	–	–	18,000
Zhang Jun (Appointed on 28 June 2013)	–	–	12,000	6,000	–	–	12,000	6,000
Chen Ji	–	–	12,000	24,000	–	–	12,000	24,000
Qiang Wenyu (Resigned on 8 April 2014)	–	–	–	–	–	–	–	–
Bao Yujie (Appointed on 8 April 2014 and resigned on 13 February 2015)	–	–	9,000	–	–	–	9,000	–
Huang Jing (Appointed on 13 February 2015)	–	–	–	–	–	–	–	–
Total	–	–	286,831	283,920	37,554	52,451	324,385	336,371

For the year ended 31 December 2014, one of the directors of the Company who named Qiang Wenyu, waived his emolument of RMB3,000 (2013: RMB28,000).

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

Supervisors' remunerations

The emoluments paid or payable to each of the four (2013: six) supervisors of the Company were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Supervisors								
Professor Shi Ping (Retired on 28 June 2013)	–	–	–	18,000	–	–	–	18,000
Bai Fubo	–	–	6,000	6,000	–	–	6,000	6,000
Chen Hua (Retired on 28 June 2013)	–	–	–	2,720	–	5,911	–	8,631
Huang Jing (Appointed on 28 June 2013 and resigned on 13 February 2015)	–	–	12,000	6,000	–	–	12,000	6,000
Liu Yongqiang (Retired on 28 June 2013)	–	–	–	18,000	–	–	–	18,000
Shen Yi (Appointed on 17 April 2014)	–	–	27,000	–	–	–	27,000	–
Xu Hao (Resigned on 17 April 2014)	–	–	15,580	64,320	3,460	13,086	19,040	77,406
Total	–	–	60,580	115,040	3,460	18,997	64,040	134,037

No supervisors waived any emoluments for the year ended 31 December 2014. For the year ended 31 December 2013, one supervisor who named Chen Hua waived his emoluments of RMB33,280. 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 2014 and 2013.

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, one (2013: one) was director of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining four (2013: four) individuals were as follows:

	2014	2013
	RMB	*RMB*
Salaries and other benefits	631,030	275,280
Retirement benefit scheme contributions	75,603	18,376
	706,633	293,656

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

Five highest paid employees *(Continued)*

Their emoluments were within the following band:

	2014 Number of employees	2013 Number of employees
Nil to HK$1,000,000 (equivalent to RMB793,235 (2013: equivalent to RMB800,000))	4	4

Senior management's remuneration:

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

	2014 Number of employees	2013 Number of employees
Nil to HK$1,000,000 (equivalent to RMB793,235 (2013: equivalent to RMB800,000))	1	1

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office in any of the two years ended 31 December 2014 and 2013.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

14. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of RMB3,622,933 (2013: RMB15,194,510) and the weighted average number of 647,058,824 (2013: 647,058,824) ordinary shares in issue during the year.

The diluted loss per share is equal to the basic loss per share as calculated above as the Company did not have any potential shares outstanding for the two years ended 31 December 2014 and 2013.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB*	Plant and machinery *RMB*	Furniture, fixtures and equipment *RMB*	Total *RMB*
COST				
At 1 January 2013	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
Additions	–	–	137,434	137,434
Written-off	–	–	(60,000)	(60,000)
At 31 December 2014	–	4,447,349	2,899,375	7,346,724
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2013	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
Provided for the year	–	3,401	11,445	14,846
Eliminated on written-off	–	–	(60,000)	(60,000)
At 31 December 2014	–	4,416,741	2,694,472	7,111,213
CARRYING VALUES				
At 31 December 2014	–	30,608	204,903	235,511
At 31 December 2013	–	34,009	78,914	112,923

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.

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

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 right 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). The asset classified as held for sale was disposed of on 2 April 2014.

16. INTANGIBLE ASSETS

	Development costs *RMB*	Technological know-how *RMB*	Total *RMB*
COST			
At 1 January 2013, 31 December 2013 and 2014	62,385,900	10,000,000	72,385,900
AMORTISATION AND IMPAIRMENT			
At 1 January 2013	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 and 2014	62,385,900	10,000,000	72,385,900
CARRYING VALUES			
At 31 December 2013 and 2014	–	–	–

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 concluded that both the value-in-use and fair value less cost of disposal is zero due to the cessation of production of certain antenna products and no exit market for its intangible assets. Accordingly, impairment loss of approximately RMB2,864,120 had been recognised in respect of intangible assets.

17. INTEREST IN AN ASSOCIATE

	2014 RMB	2013 RMB
Cost of investment in an unlisted associate in the PRC	–	12,000,000
Share of post acquisition losses	–	(9,126,892)
	–	2,873,108
Less: loss of significant influence over an associate	–	(2,873,108)
	–	–

As at 1 January 2013, 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.

Upon the completion of disposal, at 31 December 2013, the Group retained 5.64% effective equity interest in Xi'an Sunnada. The Group has accounted for the remaining 5.64% effective equity 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 carried by an independent qualified valuer, 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 resulted gain recognised in profit or loss is as follow:

	2013 RMB
Consideration	6,715,311
Fair value of the retained interest recognised as available-for-sale investment *(Note 18)*	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

17. INTEREST IN AN ASSOCIATE *(Continued)*

As at 1 January 2013 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.

The summarised financial information in respect of the Group's associate as at 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 statements prepared in accordance with HKFRSs.

	2013 *RMB*
Current assets	65,103,639
Non-current assets	22,724,106
Current liabilities	(59,497,089)
Revenue	64,328,117
Loss and total comprehensive expenses for the year	(37,643,118)

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

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

	2013 *RMB*
Net asset of the associate	28,330,656
Proportion of the Group's ownership interest in Xi'an Sunnada	15.38%
Net asset of the associate shared by the Group	4,358,562
Unrealised profit	(1,485,454)
Partial disposal of interest in an associate	(2,873,108)
Carrying amount of the Group's interest in Xi'an Sunnada	–

18. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2014	2013
	RMB	*RMB*
Unlisted investment in equity security	**1,293,580**	1,293,580
Less: impairment loss recognised	**(305,080)**	–
	988,500	1,293,580

The above unlisted equity investment represents investment in unlisted equity security issued by a private entity incorporated in the PRC (Note 17). It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Subsequently on 17 March 2015, the Company entered into an agreement with an independent third party for the disposal of the available-for-sale investment at a consideration of RMB988,500. Having assessed the recoverable amount of the investment by reference to the sale consideration, impairment loss of RMB305,080 (2013: nil) has been recognised in respect of available-for-sale investment for the year ended 31 December 2014.

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 as at 31 December 2013 had been pledged to secure bank facilities of which the expiry date within 3 months and are therefore classified as current assets. The deposits amounting to RMB90,429 (2013: RMB90,429) have been pledged to secure the quality of the products sold to certain customers which will be expired within 6 months (2013: over one year) and are therefore classified as current assets (2013: 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:

	2014	2013
	RMB	*RMB*
HKD	**722**	–
USD	**327,678**	308,359

20. INVENTORIES

	2014 RMB	2013 RMB
Raw materials	–	26,063,314
Work-in-progress	178,005	1,656,285
Finished goods	2,257,172	10,685,679
	2,435,177	38,405,278

During the year ended 31 December 2014, a reversal of allowance for inventories of nil (2013: RMB8,660,871) has been recognised as the corresponding inventories were either sold or used.

21. TRADE RECEIVABLES

	2014 RMB	2013 RMB
Trade receivables	121,139,307	64,989,021
Less: impairment loss recognised	(25,666,143)	(27,041,136)
	95,473,164	37,947,885

The Group allows a credit period ranging from 5 to 240 days (2013: 5 to 240 days) to its trade customers. For receivables from certain customers, the amounts are settled by installments which are mutually determined and agreed by the relevant parties. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of 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.

	2014 RMB	2013 RMB
Within 60 days	4,208,559	15,363,815
61 to 120 days	439,268	2,375,137
121 to 180 days	46,243,177	563,195
181 to 365 days	31,104,602	951,737
Over 365 days	13,477,558	18,694,001
	95,473,164	37,947,885

Included in the Group's trade receivable balance are trade receivables with aggregate carrying amount of RMB14,230,364 (2013: RMB21,156,731) which are past due as at the reporting date for which the Group has not provided for impairment loss.

21. TRADE RECEIVABLES *(Continued)*

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

	2014 RMB	2013 RMB
Within 60 days	685,914	5,993,196
61 to 120 days	66,892	1,997,018
121 to 180 days	29,406	460,499
181 to 365 days	264,203	177,193
1 to 2 years	2,499,888	1,565,626
Over 2 years	10,684,061	10,963,199
Total	14,230,364	21,156,731

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:

	2014 RMB	2013 RMB
At 1 January	27,041,136	25,846,240
Impairment loss recognised	1,383,282	5,306,232
Amounts written off as uncollectible	(1,842,611)	–
Reversal of impairment loss recognised in previous years	(915,664)	(4,111,336)
At 31 December	25,666,143	27,041,136

Receivables of RMB81,242,800 (2013: RMB16,791,154) 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.

21. TRADE RECEIVABLES *(Continued)*

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

	2014 *RMB*	2013 *RMB*
USD	**76,037,744**	14,425,272

22. OTHER RECEIVABLES AND PREPAYMENTS

	2014 *RMB*	2013 *RMB*
Other receivables	**6,454,686**	4,423,037
Prepayments	**1,641,585**	5,564,839
	8,096,271	9,987,876
Less: impairment loss recognised	**(2,422,770)**	(4,518,468)
	5,673,501	5,469,408

Included in other receivables and prepayments is an amount of RMB2,510,931 (2013: RMB1,449,541) 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:

	2014 *RMB*	2013 *RMB*
At 1 January	**4,518,468**	3,502,735
Impairment loss recognised	**408,048**	2,624,957
Amounts written off as uncollectible	**(1,299,619)**	–
Reversal of impairment loss recognised in previous years	**(1,204,127)**	(1,609,224)
At 31 December	**2,422,770**	4,518,468

23. AMOUNTS DUE FROM (TO) DIRECTORS

Name of directors	2014 *RMB*	2013 *RMB*	Maximum amount outstanding during the year *RMB*
Due from:			
Zuo Hong	–	1,113,273	1,162,616
Due to:			
Xiao Bing	(623,449)	(5,771,564)	
Yan Weimin	(63,378)	–	
	(686,827)	(5,771,564)	

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

24. AMOUNTS DUE FROM (TO) RELATED PARTIES

Name of related parties	Relationship	*Notes*	2014 *RMB*	2013 *RMB*
Due from (to):				
海天投資	Common director and shareholder	*(i) & (ii)*	26,500,669	(41,510,656)
Professor Xiao	Close family member of the executive director of the Company	*(i)*	–	(1,550,924)
			26,500,669	(43,061,580)

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. The maximum outstanding amount due from 海天投資 during the year ended 31 December 2014 was RMB26,500,669.

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.

	2014 *RMB*	2013 *RMB*
Within 60 days	5,471,472	24,521,131
61 to 120 days	–	388,126
121 to 365 days	64,542,335	5,051,186
Over 365 days	6,221,854	12,474,785
	76,235,661	42,435,228

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:

	2014 *RMB*	2013 *RMB*
USD	64,628,293	24,250,090

26. OTHER PAYABLES AND ACCRUED CHARGES

	2014 *RMB*	2013 *RMB*
Receipt in advance	2,978,693	3,205,039
Accrued salaries	4,035,112	3,950,212
Other payables *(Note i)*	17,608,352	12,240,298
Deferred income *(Note ii) (Note 30)*	1,306,500	1,927,200
	25,928,657	21,322,749

Notes:

i. Included in other payables is temporary advances of RMB7,108,500 (2013: RMB1,920,000) from independent third parties. The amount is interest-free, unsecured and repayable on demand.

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

27. BANK AND OTHER BORROWINGS

	2014 *RMB*	2013 *RMB*
Bank borrowings		
– Secured	–	24,166,870
– Unsecured	20,000,000	20,000,000
Other borrowing	–	12,120
	20,000,000	44,178,990
Carrying amount repayable:		
On demand or within one year	20,000,000	44,178,990
Less: Amounts due that are repayable on demand due to breach of loan covenants	–	(20,000,000)
Amounts due within one year shown under current liabilities	(20,000,000)	(24,178,990)
Amounts shown under non-current liabilities	–	–

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

	2014 *RMB*	2013 *RMB*
Fixed-rate bank borrowings	20,000,000	44,166,870

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

	2014	2013
Effective interest rate:		
Fixed-rate bank borrowings	7.8%	2.5% - 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:

	2014 *RMB*	2013 *RMB*
USD	–	24,166,870

Other borrowing as at 31 December 2013 is unsecured, interest-free and repayable on demand.

27. BANK AND OTHER BORROWINGS *(Continued)*

During the year ended 31 December 2013, 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.

During the years ended 31 December 2014 and 2013, Xiao Bing, an executive director and his close family member of the Company pledged certain properties to a bank to secure the bank borrowings.

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.

28. ASSET CLASSIFIED AS HELD FOR SALE

	RMB
Reclassified from property, plant and equipment during the year ended 31 December 2013 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.

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

29. DEFERRED TAXATION

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

	Tax losses *RMB*
At 1 January 2013	2,715,121
Charged during the year	(2,715,121)
At 31 December 2013 and 2014	-

As at 31 December 2014, the Group has unused tax losses of RMB40,179,251 (2013: RMB42,607,423) 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 2014, the Group also had deductible temporary differences of RMB53,693,148 (2013: RMB49,097,684). 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.

30. DEFERRED INCOME

	2014 ***RMB***	2013 *RMB*
At 1 January	**4,977,600**	6,904,800
Amortised during the year	**(2,547,900)**	(1,927,200)
At 31 January	**2,429,700**	4,977,600
Analysis for reporting purposes as:		
Current liabilities *(Note 26)*	**1,306,500**	1,927,200
Non-current liabilities	**1,123,200**	3,050,400
	2,429,700	4,977,600

The deferred income is government grants received by the Group which was related to research and development and industrialisation of antenna for the TD-SCDMA long term evolution (TD-LTE) in previous years. The deferred income is amortised in 5 years. Amount of RMB1,306,500 (2013: 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 RMB1,123,200 (2013: RMB3,050,400) is classified as non-current liability.

31. SHARE CAPITAL

	Number of shares	Share capital *RMB*
At 1 January 2013, 31 December 2013 and 31 December 2014		
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 2014 and 2013.

(c) Other reserve

海天投資, a related company of the Company under common shareholders, agreed to waive the rental payable by the Company of RMB11,917,380 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:

	2014 *RMB*	2013 *RMB*
Within one year	72,918	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 RMB386,186 (2013: RMB544,196) represents contributions payable to these schemes by the Group for the year ended 31 December 2014.

As at 31 December 2014 and 2013, the Group had no significant obligation apart from the contribution stated above.

35. PLEDGE OF ASSETS

The Group has pledged the following assets to secure the quality of products sold to customers (2013: secure the quality of products sold to customers and bank facilities) at the end of the reporting period. The carrying values of the assets pledged are as follows:

	2014 *RMB*	2013 *RMB*
Bank deposits	90,429	25,090,429

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group's major non-cash transaction is as follows:

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

During the year ended 31 December 2013, the Group's major non-cash transaction is 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 details of settlement are set out in Note 17.

37. RELATED PARTY TRANSACTIONS

(a) Details of the balances with directors and related parties are set out in Notes 23 and 24 respectively on the consolidated statement of financial position.

(b) During the year ended 31 December 2014, the Group received sales proceeds amounting to RMB68,000,000 (2013: nil) for disposal of asset classified as held for sale from 海天投資.

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

(d) During the year ended 31 December 2013, the Group use the land owned by 海天投資 with no consideration.

(e) During the years ended 31 December 2014 and 2013, Xiao Bing, an executive director of the Company, and Xiao Liangyong, father of Xiao Bing, pledged certain properties to a bank to secure the bank borrowings.

(f) Compensation of key management personnel

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

	2014	2013
	RMB	*RMB*
Short-term benefits	**570,246**	415,280
Other long-term benefits	**73,664**	89,825
	643,910	505,105

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

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital/ registered capital	Percentage of equity interest voting right and directly held by the Company 2014	2013	Principal activities
XAHT Antenna Technologies (Hongkong) Limited	Hong Kong	Ordinary shares	HK$1,500,000	100%	100%	Provision of import and export agency services
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% *(Note)*	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
Haitian Antenna (Shanghai) International Trading Co., Ltd.*	PRC	Registered capital	RMB3,000,000/ RMB5,000,000***	100%	N/A	Inactive

* Limited company established in the PRC
** Sino-foreign equity joint venture registered in the PRC
*** The registered capital has not been paid up as at 31 December 2014

Note: During the year ended 31 December 2013, Xian Hi-tech was revoked by Xi'an Administration for Industry and Commerce due to the fail of compliance of annual inspection. Subsequent to the 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 outstanding 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 an amount of RMB872,702. As at 31 December 2012, an amount of RMB561,122 has not yet been paid to the Plaintiff A. During the year ended 31 December 2013, 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.

(b) On 20 December 2011, Kingsignal filed a writ at the Commissioner against the Company. Kingsignal claimed that the Company owed Kingsignal a 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 counter charged 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 an amount of RMB6,715,311 to Kingsignal and it was concluded that the case had been closed as at 31 December 2013. The details of transfer are out on Note 17.

(c) During the year ended 31 December 2013, 新鄉市恒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 interest. On 22 October 2013, the court case was concluded of which the Company was demanded to repay the Plaintiff C the amount of RMB242,840 and related interest of RMB55,465. As at 31 December 2014 and 2013, the aforesaid amount has not yet been 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 2014 and 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 陝西新三秦彩鋼有限公司 ("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 in the amount of 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 of 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 years ended 31 December 2014 and 2013 as the amount of construction cost was included in other payables. 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. On 22 October 2014, the Court turned down the appeal from the Company.

39. LITIGATION *(Continued)*

(e) During the year ended 31 December 2014, a group of former employees (the "Former Employees") field a writ against the Company at against the Company at the People's Court. The Former Employees claimed that the Company owed the Former Employees compensation for termination payment. The court case was concluded of which the Company was demanded to pay the Former Employees for the amount of RMB1,101,530. As at 31 December 2014, the aforesaid amount has not yet been paid to the Former Employees. 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 2014 as the amount claimed by the Former Employees was included in other payables.

Subsequent to the end of the reporting period, the Company appealed to the Court and requested it to commute by requesting the Former Employees to waive the amount to be repaid to the Former Employees.

40. EVENT AFTER THE REPORTING PERIOD

On 30 January 2015, 60,000,000 new H Shares and 50,000,000 new H shares were allotted and issued to Great Harmony Ventures Limited and Variant Wealth Limited respectively for cash at the Subscription Price of HK$0.189 per new H Share under the subscription agreements dated 25 July 2014 (the "Subscription Agreements").

On 6 February 2015, 50,000,000 new H shares were allotted and issued to Campari Winner Limited at the Subscription Price of HK$0.189 per New H Share under the Subscription Agreement.

On 17 March 2015, the Company and 西安創達天綫有限公司 entered into an agreement for the disposal of the available-for-sale investment at a consideration of RMB988,500. The disposal has not been completed as of the date of approval of these consolidated financial statements. The details of the disposal are set out on Note 18.

Financial Summary

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB	RMB	RMB	RMB	**RMB**
RESULTS					
Revenue	68,469,673	50,886,381	46,569,471	25,189,899	**11,028,978**
(Loss) profit before tax	(81,373,761)	(43,078,833)	9,688,840	(12,467,709)	**(2,840,491)**
Income tax credit (expense)	1,008,690	600,000	2,715,121	(2,726,801)	**(782,442)**
(Loss) profit and total comprehensive (expense) income for the year	(80,365,071)	(42,478,833)	12,403,961	(15,194,510)	**(3,622,933)**

	As at 31 December				
	2010	2011	2012	2013	**2014**
	RMB	RMB	RMB	RMB	**RMB**
ASSETS AND LIABILITIES					
Total assets	303,155,295	213,227,619	162,840,093	172,008,445	**132,603,552**
Total liabilities	(257,615,359)	(210,166,516)	(135,457,649)	(159,820,511)	**(124,038,551)**
Total equity	45,539,936	3,061,103	27,382,444	12,187,934	**8,565,001**