



西安海天天线控股股份有限公司  
**XI'AN HAITIAN ANTENNA HOLDINGS CO., LTD.\***

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

**(Stock Code: 8227)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Characteristics of the Growth Enterprise Market (“Gem”) of The Stock Exchange Of Hong Kong Limited (the “Stock Exchange”)**

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

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*This announcement, for which the directors (the “Directors”) of Xi’an Haitian Antenna Holdings Co., Ltd.\* (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.*

\* for identification purpose only

## Annual Results

The board of Directors (the "Board") of the Company announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

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

For the year ended 31 December 2016

	NOTES	2016 RMB	2015 RMB
Revenue	3	<b>36,243,095</b>	23,337,552
Cost of sales		<b>(33,486,186)</b>	(17,518,031)
Gross profit		<b>2,756,909</b>	5,819,521
Other revenue	4	<b>3,096,364</b>	6,885,352
Distribution costs		<b>(2,027,143)</b>	(2,903,775)
Administrative expenses		<b>(18,902,061)</b>	(20,145,847)
Impairment loss recognised in respect of trade receivables		<b>(21,580,035)</b>	(9,422,376)
Impairment loss recognised in respect of other receivables and prepayments		<b>(241,984)</b>	(520,878)
Finance costs	5	<b>(758,333)</b>	(1,642,478)
Loss before tax		<b>(37,656,283)</b>	(21,930,481)
Income tax expense	6	–	(5,565)
Loss and total comprehensive expense for the year	7	<b>(37,656,283)</b>	(21,936,046)
Attributable to:			
– Owners of the Company		<b>(37,653,811)</b>	(21,936,046)
– Non-controlling interests		<b>(2,472)</b>	–
		<b>(37,656,283)</b>	(21,936,046)
Loss per share			
– Basic and diluted	9	<b>(2.66 cents)</b>	(2.34 cents)

# Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 RMB	2015 RMB (Restated)
<b>Non-current assets</b>			
Property, plant and equipment		8,109,992	2,900,585
Intangible assets		7,362,464	-
Deposits for acquisition of non-current assets	10	20,428,500	1,453,750
Prepayments		302,397	-
		<b>36,203,353</b>	4,354,335
<b>Current assets</b>			
Inventories		2,842,695	3,106,902
Trade receivables	11	14,862,836	26,619,878
Other receivables and prepayments		6,273,544	27,317,703
Amounts due from related parties	12	26,730,669	26,500,669
Amounts due from director and supervisor		907,406	-
Pledged bank deposits		5,100	5,100
Bank balances and cash		36,269,114	30,976,946
		<b>87,891,364</b>	114,527,198
<b>Current liabilities</b>			
Trade payables	13	18,966,050	12,495,651
Other payables and accrued charges		10,675,959	12,732,912
Tax payables		18,534	69,771
Amounts due to directors		400	147,430
Bank and other borrowings	14	10,000,000	20,000,000
		<b>39,660,943</b>	45,445,764
<b>Net current assets</b>		<b>48,230,421</b>	69,081,434
<b>Net assets</b>		<b>84,433,774</b>	73,435,769
<b>Capital and reserves</b>			
Share capital		153,105,882	134,705,882
Reserves		(71,569,636)	(61,270,113)
<b>Equity attributable to owners of the Company</b>		<b>81,536,246</b>	73,435,769
<b>Non-controlling interests</b>		<b>2,897,528</b>	-
<b>Total equity</b>		<b>84,433,774</b>	73,435,769

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company						Non-controlling interest	Total
	Share capital	Share premium	Statutory surplus reserve	Other Reserve	Accumulated losses	Sub-total		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 1 January 2015	64,705,882	71,228,946	16,153,228	15,856,279	(159,379,334)	8,565,001	-	8,565,001
Loss and total comprehensive expense for the year	-	-	-	-	(21,936,046)	(21,936,046)	-	(21,936,046)
Shares issued	70,000,000	16,806,814	-	-	-	86,806,814	-	86,806,814
At 31 December 2015	134,705,882	88,035,760	16,153,228	15,856,279	(181,315,380)	73,435,769	-	73,435,769
Contribution from non-controlling interest of a subsidiary	-	-	-	-	-	-	2,900,000	2,900,000
Loss and total comprehensive expense for the year	-	-	-	-	(37,653,811)	(37,653,811)	(2,472)	(37,656,283)
Shares issued	18,400,000	27,354,288	-	-	-	45,754,288	-	45,754,288
<b>At 31 December 2016</b>	<b>153,105,882</b>	<b>115,390,048</b>	<b>16,153,228</b>	<b>15,856,279</b>	<b>(218,969,191)</b>	<b>81,536,246</b>	<b>2,897,528</b>	<b>84,433,774</b>

Notes:

## 1. ORGANISATION AND OPERATIONS

The Company is a joint stock limited company established in the People's Republic of China (the "PRC") and the H shares of the Company are listed on the GEM of the Stock Exchange.

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

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

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

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

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

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

### 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 <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2018.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2017.

### 3. REVENUE AND SEGMENT INFORMATION

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

Specifically the Group's reportable segments are as follows:

- Sales of antennas products and related services
- Sales of underwater surveillance and related products
- Sales of unmanned aerial products
- Sales of construction related products
- Provision of consultancy services

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

#### Segment revenues and results

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

#### For the year ended 31 December 2016

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

**For the year ended 31 December 2015**

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

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

**Segment assets and liabilities**

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

**Segment assets**

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

**Segment liabilities**

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

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

- all assets are allocated to operating segments other than bank balances and cash, amounts due from related parties, director and supervisor and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to operating segments other than tax payables, bank and other borrowings, amounts due to director and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

### Other segment information

#### For the year ended 31 December 2016

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



**For the year ended 31 December 2015**

	Sales of antennas products and related services RMB	Sales of underwater surveillance and related products RMB	Sales of unmanned aerial products RMB	Unallocated RMB	Total RMB
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>					
Additions to non-current assets	801,499	1,873,363	1,698,365	–	4,373,227
Depreciation of property, plant and equipment	(236,872)	(10,416)	(416)	–	(247,704)
Impairment losses recognised in respect of trade receivables	(9,422,376)	–	–	–	(9,422,376)
Impairment loss recognised in respect of other receivables and prepayments	(520,878)	–	–	–	(520,878)
Impairment loss recognised in respect of inventories	(1,257,817)	–	–	–	(1,257,817)
Reversal of allowance for inventories	3,077,624	–	–	–	3,077,624
Loss on disposal of property, plant and equipment	(6,699)	–	–	–	(6,699)
Impairment loss reversed in respect of trade receivables	1,780,628	–	–	–	1,780,628
Impairment loss reversed in respect of other receivables and prepayments	242,871	–	–	–	242,871
Amortisation of government grants received	1,123,200	–	–	–	1,123,200

**Amounts regularly provided to the executive directors but not included in the measure of segment profit or loss:**

Interest income	–	–	–	43,544	43,544
Finance costs	–	–	–	(1,642,478)	(1,642,478)
Income tax expenses	–	–	–	(5,565)	(5,565)

**Geographical information**

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

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

	Revenue from external customers		Non-current assets	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
The PRC (country of domicile)	<b>36,062,028</b>	23,283,337	<b>15,472,456</b>	2,900,585
Others	<b>181,067</b>	54,215	–	–
	<b>36,243,095</b>	23,337,552	<b>15,472,456</b>	2,900,585

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

**4. OTHER REVENUE**

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

**5. FINANCE COSTS**

	<b>2016</b>	2015
	<b>RMB</b>	RMB
Interests on bank and other borrowings	<b>758,333</b>	1,642,478

**6. INCOME TAX EXPENSE**

	<b>2016</b>	2015
	<b>RMB</b>	RMB
Under-provision in prior years: PRC Enterprise Income Tax	–	5,565

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

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%.

## 7. LOSS FOR THE YEAR

	2016 <i>RMB</i>	2015 <i>RMB</i>
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,299,064	247,704
Auditor's remuneration		
– audit services	550,000	530,000
– other services	102,592	260,234
Amount of inventories recognised as an expense	35,150,124	19,337,838
Staff costs		
– Directors' and supervisors' remuneration	2,355,591	1,666,080
– Salaries, wages and other benefits	5,431,210	5,875,846
– Retirement benefit scheme contributions (excluding directors and supervisors)	990,988	908,957
Total staff costs	8,777,789	8,450,883
Loss on written-off of property, plant and equipment	867	6,699
Allowance for inventories (included in cost of sales)	1,210,870	1,257,817
Reversal of allowance for inventories (included in cost of sales)	(2,874,808)	(3,077,624)
Exchange difference, net	(13,388)	(1,291,129)
Minimum lease payments under operating leases	–	956,929
Research and development costs recognised as an expense	1,365,278	1,528,019

## 8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of RMB37,653,811 (2015: RMB21,936,046) and the weighted average number of 1,414,282,868 (2015: 938,209,509) ordinary shares in issue during the year.

The diluted loss per share is equal to the basic loss per share as calculated above as the Company does not have any potential shares outstanding for the two years ended 31 December 2016 and 2015.

## 10. DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

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

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

## 11. TRADE RECEIVABLES

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

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

Included in the Group's trade receivable balance are trade receivables with aggregate carrying amount of RMB14,862,836 (2015: RMB3,519,835) which are past due as at the reporting date for which the Group has not provided for impairment loss.

## 12. AMOUNTS DUE FROM RELATED PARTIES

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

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

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

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

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

## 13. 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.

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

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

#### 14. BANK AND OTHER BORROWINGS

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

## Management Discussion and Analysis

### BUSINESS REVIEW

#### Revenue

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

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

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

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

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

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

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

### **Gross Profit**

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

### **Other Revenue**

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

### **Segment Results**

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

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

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

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

### **Other costs and expenses**

Most of administrative expenses were generally under cost control strategy during the year so that approximately RMB18.9 million was incurred in 2016 which represented a decrease of over 6% from approximately RMB20.1 million in 2015. Except for an increase in travelling expenses for business trips by approximately RMB1.05 million and a decrease in legal expenses for fund raising activities by approximately RMB1.58 million, there was no other significant fluctuation during the year.

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

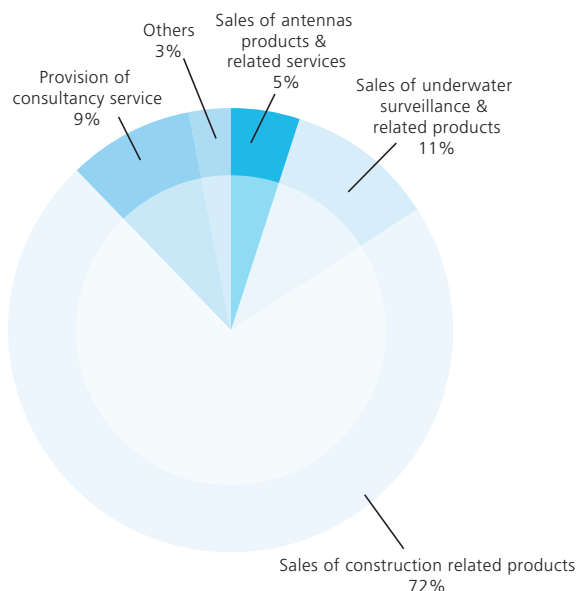
### **Loss for the period**

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

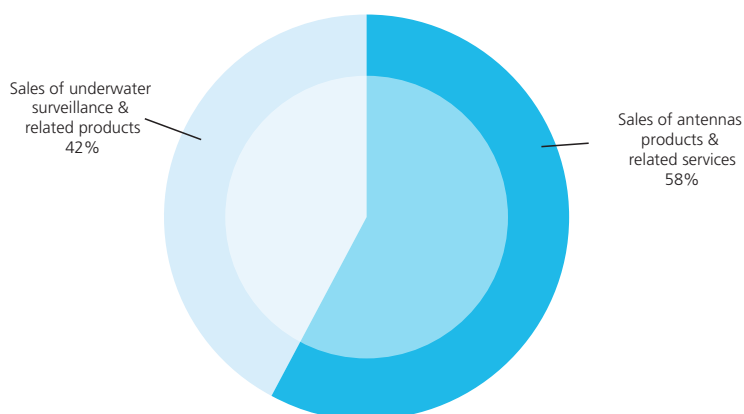
As a new subsidiary was incorporated during the year of which the Group held 51% equity interest, non-controlling interests were shown to account for the loss of the subsidiary.

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

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



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



**PROSPECTS**

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

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

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

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

#### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During year, the Group was mainly financed by cash from banking facilities and borrowings. As at 31 December 2016, the Group had bank borrowings of approximately RMB10.00 million of which all were repayable on demand or within one year. These borrowings were mainly used for the Group's daily operations and to develop underwater surveillance and unmanned aerial businesses.

During the year, all of the Group's interest-bearing borrowings borne interest rate of 6.52% per annum. Majority of borrowings were denominated in RMB during the year. The Directors consider that exposure to foreign exchange risk was minimal.

As at 31 December 2016, the Group's gearing ratio was 12.3% (2015: 27.2%), which is calculated based on total interest-bearing borrowings of approximately RMB10.00 million over equity attributable to owners of the Company of approximately RMB81.54 million. Cash and cash equivalents increased approximately from RMB30.98 million to RMB 36.27 million. The Group's pledged bank deposits were deposited with banks to secure the quality of the products sold to certain customers and were denominated in RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

#### **PURCHASES, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 2016, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

#### **CHARGES ON GROUP ASSETS**

As at 31 December 2016, the Group pledged bank deposits of approximately RMB0.01 million for the qualify of products sold to customers.

#### **CONTINGENT LIABILITIES**

As at 31 December 2016, 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. The Directors consider that exposure to foreign exchange risk was minimal.

#### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2016, the Group had 60 (2015: 93) full-time employees. Total staff costs for the year 2016 amounted to approximately RMB8.78 million (2015: RMB8.45 million), including remuneration of the Directors and members of the supervisory committee (the "Supervisors"). The Group reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group has not granted any share options to the Directors and its employees.

#### **SIGNIFICANT INVESTMENT HELD**

Except for investment in subsidiaries, the Group did not hold any significant investment for the year ended 31 December 2016.



## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

As at 31 December 2016, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB23.21 million.

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed in the paragraph headed "Significant Investment Held" above, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and affiliated companies during the year ended 31 December 2016.

# **CORPORATE GOVERNANCE**

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board of the Company is always committed to maintaining high standards of corporate governance. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 December 2016.

## **AUDIT COMMITTEE**

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

The Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also reviews and discusses matters related to financial reporting, internal control, audit and performs other duties as assigned by the Board, and reports its work, findings and recommendations to the Board after each meeting in respect of the above matters as well as to the operating risks faced by the Group. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2016.

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

## **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.

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

Xi'an, the PRC, 24 March 2017

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and be posted on the website of the Company at <http://www.xaht.com>.*

\* for identification purpose only