



INTERIM REPORT 2017



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)

*for identification purposes only

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*This report, for which the directors (the “**Directors**”) of Xi’an Haitian Antenna Holdings Co., Ltd.* (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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HIGHLIGHTS

- During the six months ended 30 June 2017, unaudited gross profit was approximately RMB0.56 million and gross profit margin was 2.2% which represented a further decrease when compared to the gross profit margin of 8.2% for the corresponding period in 2016.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of Directors of the Company (the “**Board**”) hereby submits the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in the year 2016 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	3	25,144	1,928	25,969	3,472
Cost of sales		(24,834)	(1,762)	(25,408)	(3,189)
Gross profit		310	166	561	283
Other revenue		116	359	418	786
Distribution costs		(263)	(457)	(478)	(1,132)
Administrative expenses		(4,209)	(3,777)	(8,154)	(8,081)
Finance costs		(155)	(191)	(316)	(541)
Loss before tax		(4,201)	(3,900)	(7,969)	(8,685)
Income tax expense	4	(5)	–	(5)	–
Loss and total comprehensive expense for the period	5	(4,206)	(3,900)	(7,974)	(8,685)
Attributable to:					
– Owners of the Company		(4,144)	(3,900)	(7,940)	(8,685)
– Non-controlling interests		(62)	–	(34)	–
		(4,206)	(3,900)	(7,974)	(8,685)
Loss per share					
– Basic and diluted (in RMB cents)	7	(0.27)	(0.28)	(0.52)	(0.63)

Condensed Consolidated Statement of Financial Position

		(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	6,475	8,110
Intangible assets		4,918	7,362
Deposits for acquisition of non-current assets	9	18,546	20,429
Prepayments		–	303
		29,939	36,204
Current assets			
Inventories		2,926	2,843
Trade receivables	10	1,126	14,863
Other receivables and prepayments		22,354	6,273
Amounts due from related parties	11	230	26,731
Amounts due from directors and supervisors	12	814	907
Available-for-sale investment	13	20,008	–
Pledged bank deposits		5	5
Bank balances and cash		22,427	36,269
		69,890	87,891
Current liabilities			
Trade payables	14	10,384	18,966
Other payables and accrued charges		6,269	10,676
Tax payables		1,716	19
Bank and other borrowings		5,000	10,000
		23,369	39,661
Net current assets		46,521	48,230
Net assets		76,460	84,434

	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
<i>Notes</i>		
Capital and reserves		
Share capital	153,106	153,106
Reserves	(79,510)	(71,570)
Equity attributable to owners of the Company	73,596	81,536
Non-controlling interests	2,864	2,898
Total equity	76,460	84,434

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company							(Unaudited) Non- controlling interests RMB'000	(Unaudited) Total RMB'000
	(Unaudited) Share capital RMB'000	(Unaudited) Share premium RMB'000	(Unaudited) Statutory surplus reserve RMB'000	(Unaudited) Other reserve RMB'000	(Unaudited) Accumulated losses RMB'000	(Unaudited) Sub-total RMB'000	(Unaudited)		
At 1 January 2017	153,106	115,390	16,153	15,856	(218,969)	81,536	2,898	84,434	
Loss and total comprehensive expense for the period	-	-	-	-	(7,940)	(7,940)	(34)	(7,974)	
At 30 June 2017	153,106	115,390	16,153	15,856	(226,909)	73,596	2,864	76,460	
At 1 January 2016	134,706	88,036	16,153	15,856	(181,315)	73,436	-	73,436	
Issue of 92,000,000 H shares at subscription price of HK\$0.33 each	9,200	16,173	-	-	-	25,373	-	25,373	
Loss and total comprehensive expense for the period	-	-	-	-	(8,685)	(8,685)	-	(8,685)	
At 30 June 2016	143,906	104,209	16,153	15,856	(190,000)	90,124	-	90,124	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	(Unaudited) 2017 RMB'000	(Unaudited) 2016 RMB'000
Net cash used in from operating activities	(11,068)	(11,511)
Investing activities		
Repayment from related parties	26,501	–
Purchase of property, plant and equipment	(4,044)	(19,624)
Purchase of available-for-sale investment	(20,008)	–
Other investing cash flows	123	75
Net cash from (used) in investing activities	2,572	(19,549)
Financing activities		
Issue of share capital	–	25,373
Repayment of bank and other borrowings	(5,000)	(20,000)
Other financing cash flows	(346)	(555)
Net cash (used) from financing activities	(5,346)	4,818
Net decrease in cash and cash equivalents	(13,842)	(26,242)
Cash and cash equivalents at the beginning of period	36,269	30,977
Cash and cash equivalents at the end of period, represented by bank balances and cash	22,427	4,735

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

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

The Group is principally engaged in research and development, manufacture and sale of base station antennas and related products, underwater and underground surveillance, imaging, mechanical equipment, and complicated environment warning and surveillance equipment, and agricultural and forestry unmanned aerial vehicles, and provision of consultancy services.

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

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

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

2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2016.

3. REVENUE AND SEGMENT INFORMATION

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

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Analysis of revenue and results by reportable and operating segment:

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue				
Sales of antennas products and related services	957	1,138	961	1,138
Sales of underwater surveillance and related products	96	790	96	2,334
Sales of unmanned aerial products	365	–	774	–
Sales of construction related products	23,591	–	23,591	–
Provision of consultancy services	–	–	–	–
Others	135	–	547	–
	25,144	1,928	25,969	3,472
Segment profit (loss)				
Sales of antennas products and related services	(132)	320	79	505
Sales of underwater surveillance and related products	–	(353)	(67)	(498)
Sales of unmanned aerial products	147	53	204	(306)
Sales of construction related products	71	–	71	–
Provision of consultancy services	–	–	–	–
Others	47	–	29	–
	133	20	316	(299)
Unallocated income	2	–	2	99
Unallocated expenses	(4,181)	(3,729)	(7,971)	(7,944)
Finance costs	(155)	(191)	(316)	(541)
Loss before tax	(4,201)	(3,900)	(7,969)	(8,685)

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.

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Analysis of assets and liabilities by reportable and operating segment:

	(Unaudited) As at 30 June 2017 RMB'000	(Unaudited) As at 31 December 2016 RMB'000
Segment assets		
Sales of antennas products and related services	8,487	4,747
Sales of underwater surveillance and related products	1,552	5,522
Sales of unmanned aerial products	12,225	34,669
Sales of construction related products	15,296	16,177
Provision of consultancy services	–	205
	37,560	61,320
Unallocated assets	62,269	62,775
Total assets	99,829	124,095
Segment liabilities		
Sales of antennas products and related services	13,569	14,399
Sales of underwater surveillance and related products	1,050	4,819
Sales of unmanned aerial products	1,062	153
Sales of construction related products	966	10,254
Provision of consultancy services	–	17
	16,647	29,642
Unallocated liabilities	6,722	10,019
Total liabilities	23,369	39,661

All assets are allocated to operating segments other than bank balances and cash, amounts due from related parties, directors and supervisors, and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenue earned by individual reportable segments.

All liabilities are allocated to operating segments other than tax payables, bank and other borrowings, amounts due to directors and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Analysis of revenue by geographical location:

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2017 RMB'000	2016 <i>RMB'000</i>	2017 RMB'000	2016 <i>RMB'000</i>
The PRC	25,144	1,928	25,969	3,472
Asia excluding the PRC	–	–	–	–
	25,144	1,928	25,969	3,472

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

4. INCOME TAX EXPENSE

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

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

5. LOSS FOR THE PERIOD

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Loss for the period has been arrived at after charging (crediting):				
Depreciation for property, plant and equipment	196	115	439	205
Amortisation of intangible assets (included in administrative expenses)	4	–	7	–
Total depreciation and amortisation	200	115	446	205
Auditors' remuneration				
– audit services	–	–	–	–
– other services	–	81	–	81
Amount of inventories recognised as an expense	24,834	1,762	25,408	3,189
Staff costs				
– Remuneration of Directors and members of supervisory committee (the "Supervisors")	546	417	1,093	987
– Salaries, wages and other benefits	1,031	2,021	2,093	3,671
– Retirement benefit scheme contributions (excluding Directors and Supervisors)	173	299	349	595
Total staff costs	1,750	2,737	3,535	5,253
Research and development costs recognised as an expense	160	283	322	801
Interests on bank and other borrowings wholly repayable within five years	168	194	329	555
Interest income	18	11	30	34

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil).

7. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the unaudited loss for the three months and six months ended 30 June 2017 attributable to owners of the Company of RMB4,144,000 and RMB7,940,000 respectively (2016: RMB3,900,000 and RMB8,685,000 respectively) and the weighted average number of 1,531,058,824 (2016: 1,380,135,747) ordinary shares in issue during the period. The weighted average number of ordinary shares is the number of ordinary shares in issue at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor.

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

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB4.04 million (2016: RMB0.87 million) on acquisition of property, plant and equipment, of which approximately RMB2.85 million was for construction of office premises at Xi'an.

9. DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS

	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
Deposit for acquisition of leasehold land and building	18,546	18,546
Deposit for acquisition of property, plant and equipment	–	1,883
	18,546	20,429

The Group acquired a piece of leasehold land and building for office premises at a consideration of RMB40.00 million and the acquisition had not been accomplished up to 30 June 2017 as the transfer of title was not completed.

10. TRADE RECEIVABLES

	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 <i>RMB'000</i>
Trade receivables	42,293	67,696
Less: impairment loss recognised	(41,167)	(52,833)
	1,126	14,863

The Group allows a credit period ranging from 5 to 240 days (2016: 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:

	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 <i>RMB'000</i>
Within 60 days	484	14,652
61 to 120 days	–	73
121 to 180 days	10	–
181 to 365 days	180	138
Over 365 days	452	–
	1,126	14,863

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.

11. AMOUNTS DUE FROM RELATED PARTIES

	Maximum outstanding RMB'000	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
西安海天投資控股有限公司 (「西安海天投資」)	26,501	–	26,501
陝西天地通通信發展有限公司 (「陝西天地通」)	230	230	230
		230	26,731

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 reporting dates.

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 both reporting dates.

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

12. AMOUNTS DUE FROM DIRECTORS AND SUPERVISORS

Particulars of amounts due from directors and supervisors are as follow:

	Maximum outstanding RMB'000	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
Zuo Hong	843	814	843
Xu Hao	64	–	64
		814	907

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

13. AVAILABLE-FOR-SALE INVESTMENT

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Investment in listed equity security	20,008	–

Listed equity security represents investment in 2,677,700 shares, representing approximately 0.33% of total issued share capital, of Cloud Live Technologies Group Co., Ltd.* (中科雲網科技集團股份有限公司), a joint stock limited company established in the PRC, and its shares are listed on the Shenzhen Stock Exchange (002306.SZ). Cloud Live is principally engaged in group catering business in Beijing and Zhengzhou.

14. 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:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Within 60 days	1,219	11,470
61 to 120 days	747	–
121 to 365 days	67	880
Over 365 days	8,351	6,616
	10,384	18,966

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.

15. COMMITMENTS

	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
Commitments in respect of rented premises for future minimum lease payments under non-cancellable operating leases which fall due as follows:		
Within one year	842	–
Two to five years	1,473	–
	2,315	–
Capital commitments in respect of construction cost on properties under construction and acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	24,191	23,205

Capital commitments of approximately RMB21.45 million are for acquisition of leasehold land and building for office premises at a consideration of RMB40.00 million.

16. LITIGATION

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

- (a) On 19 September 2010, the Company filed a writ against 陝西新三秦彩網有限公司 (“**the Defendant A**”) at 西安市雁塔區人民法院 (“**the People’s Court**”). The Company claimed that due to the collapse of factory built by the Defendant A, the Company suffered from loss of inventories and plant and machineries at amount of RMB2,119,892. The Company requested the People’s Court to resolve the dispute by requesting the Defendant A to compensate for it. As a result, the Defendant A was enforced to compensate the Company for a sum of RMB522,000 via court order on 16 May 2012. Nonetheless, the Company was not satisfied with the settlement and appealed to the Court. On 23 December 2013, the court case was concluded of which the Group was entitled to receive an amount of RMB101,502 from the Defendant A. At the same time, the Group was also demanded to repay the Defendant A of construction costs at RMB627,843. The Company appealed to the Court and requested it to commute by requesting the Defendant A to compensate the Company the original claim amount and to waive the amount to be repaid to the Defendant A.

16. LITIGATION (continued)

On 22 October 2014, the Court turned down the appeal from the Company. The Defendant A therefore requested the People's Court to enforce a Specific Performance on the court order issued on 23 December 2013. The Company had contacted the Defendant A for the intention of negotiating the settlement arrangement. Subsequent to 30 June 2017, a mutual agreement on the settlement between the Company and the Defendant was still under negotiation and pending to conclude.

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's condensed consolidated financial statements for the period ended 30 June 2017 as the amount of construction cost was included in other payables.

- (b) During the year ended 31 December 2015, 西安厚普智能工程有限責任公司 (“**the Plaintiff A**”) filed a writ against 海天投資, a related company of the Group, for the outstanding building construction fee of RMB606,000 and against the Company for joint responsibility. In 2015, the Xi'n Court concluded the related company was liable for the claim but the Company is not liable to the joint responsibility. The related company appealed the case on 18 May 2015. After retrial, the People' Court dismissed all the claims from the Plaintiff A. The Court has accepted the Plaintiff A' appeal on the retrial judgement and the case is still in progress as at 30 June 2017.

No provision was made for this case as the directors consider that legal conclusion would state unchanged and be favour to the Company. Therefore no provision in the condensed consolidated financial statement is required.

- (c) During the year ended 31 December 2015, 西安慶建塑業有限公司, a supplier of the Company, filed a dispute at the 西安仲裁委員會 (“**the Commission**”) against the Company for a disagreement on a outstanding inventory cost of RMB1,204,294, which is different from the amount RMB517,970 recorded in ledger of the Company. The trial has gone through twice and is pending to the final conclusion.

No provision was made for this case as the directors of the Company consider the evidence filed to the Commission is in favour of the Company's figure. As the possibility of settlement of the claim is remote, no provision is required.

- (d) Several legal cases were carried out by the Company against customers for outstanding trading debts of approximately RMB2.09 million as at 30 June 2017.

In the opinion of the directors of the Company, the above cases did not have any material impact on the Group's condensed consolidated financial statements for the period ended 30 June 2016 as impairment loss for the outstanding trading debts were fully provided.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

Since 2016, the operations of the Group were divided into 5 reportable and operating segments: sales of antennas 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. Under current strategy of the Group, trading and development of antennas products, underwater surveillance products and unmanned aerial products are the main focus of operations, other operating segments and business activities are supplementary and complementary to the main operations.

In view of the operating segment of antennas products and related services, the Group gradually reduced resources on civil antenna development and production, and concentrated on high-end wireless products in order to cope with increasing demand for back-end data throughput and stability of network operations in 4G antenna business. During the six months ended 30 June 2017, revenue of approximately RMB0.96 million was generated from sales of antennas products and related services, which was slightly decreased by approximately 15.8% when comparing to revenue of approximately RMB1.14 million in the corresponding period in 2016.

Two major product lines of radar detection product series, and high-definition and high-pressure underwater detection system were developed under operating segment of underwater surveillance and related products, which were mainly applied in scientific research, aquatic monitoring and fire rescue, and deep water application and polar environment respectively. Customer base was currently concentrated in domestic professional research institutes that sales orders were generally based on the progress of their research tasks and dispersed throughout the year. Revenue of approximately RMB0.10 million was recorded during the six months ended 30 June 2017, representing merely 4.1% of revenue in the corresponding period in 2016.

Products under operating segment of unmanned aerial products were currently divided into large-load unmanned aerial vehicle (“UAV”), multi-axis rotor UAV, and specialised and customised UAV. Large-load UAV was under simulation test phase and not yet put into the market. Multi-axis rotor UAV was recognised in fire products procurement directory in various cities at Shaanxi province since December 2016, and specialised and customised UAV was mainly for fire fighting and public security in various industries. Procurement process was carried out by relevant cities in the second quarter of 2017 and revenue of approximately RMB0.77 million was reported for the six months ended 30 June 2017.

Operating segment of construction related products was still under development and its performance was not stable due to existing limitation. The business was mainly carried out in the Shanghai Free Trade Zone (the “FTZ”) in order to make full use of its preferential policies, including value-added tax relief for processing business, tax refund from local government and lower foreign exchange control restrictions on free trade account, for building materials import and export business to a large number of domestic enterprises in the FTZ. The Group provided professional services to search for building materials in accordance with customer needs at reasonable prices. However, price fluctuation of building materials, availability of suitable suppliers and requirement on operating funds imposed restrictions on the success of the transaction. During the six months ended 30 June 2017, successful transactions were accounted for approximately RMB23.59 million in revenue.

There was no revenue generated from operating segment of consultancy services as the Group had no initiative to actively develop such business under current strategy. Services were provided to existing or potential customers of other operating segments on requests in order to maximise use of the Group’s financial, legal and advisory resources if they were available. Such resources were established by the Group during the development of telecommunications, underwater and UAV business.

In order to respond positively to the State policy of poverty alleviation to fulfil the Group’s social responsibility, trading of agricultural sideline products and gift set boxes was began in 2017. Its development was under consideration and would be reviewed after stable operation was achieved. Revenue of approximately RMB0.55 million was come from such trading during the six months ended 30 June 2017.

Gross Profit

During the six months ended 30 June 2017, unaudited gross profit was approximately RMB0.56 million and gross profit margin was 2.2% which represented a further decrease when compared to the gross profit margin of 8.2% for the corresponding period in 2016. It was mainly attributable to low profit margin of sales of construction related products which was accounted for approximately 90.8% of revenue.

Other Revenue

Approximately RMB0.19 million and RMB0.23 million were recognised as government grants and bad debts recovery respectively for operating segment of antennas products and related services.

Segment Results

Distribution costs were decreased by approximately 57.5% from approximately RMB1.13 million in corresponding period in 2016 to approximately RMB0.48 million for the six months ended 30 June 2017. Over RMB0.44 million and nearly RMB0.11 million were attributable to decrease in salaries and welfare, and business trip expenses respectively.

After allocation of government grants and bad debts recovery under other revenue, and depreciation and amortisation expenses under administrative expenses, segment profits were reported in all operating segments except for sales of underwater surveillance and related products. It was because sales volume was not sufficient to cover fundamental distribution costs under operating segment of underwater surveillance and related products for the six months ended 30 June 2017.

Other Costs and Expenses

There was no material fluctuation in administrative expenses during the six months ended 30 June 2017. Approximately RMB0.47 million was decreased in salaries and welfare and approximately RMB0.25 million was increased in business trip expenses for the six months ended 30 June 2017.

Interest expenses of approximately RMN0.33 million were incurred for short-term interest-bearing bank borrowings for the six months ended 30 June 2017. Due to decrease in bank borrowings to approximately RMB5.00 million, finance costs for the period were approximately 58.4% of those for the corresponding period in 2016.

Loss for the Period

Nevertheless the revenue for the six months ended 30 June 2017 was over 7 times revenue for the corresponding period in 2016, low gross profit margin with immaterial drop in overall costs and expenses was resulted in loss for the period of approximately RMB7.97 million.

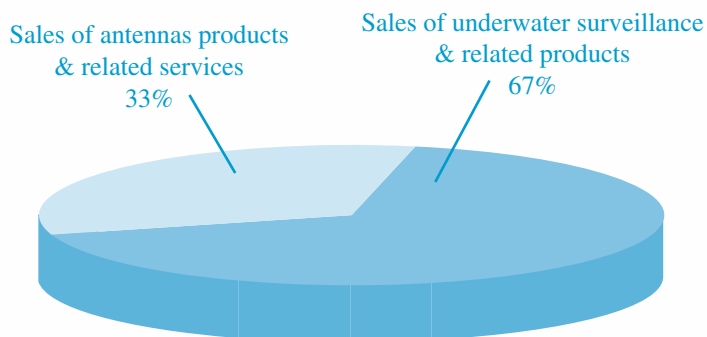
Loss attributable to owners of the Company was approximately RMB7.94 million after accounting for loss attributable to non-controlling interests in trading of agricultural sideline products.

Composite of revenue by reportable and operating segment for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in the year 2016, are provided as follows:

For the six months ended 30 June 2017



For the six months ended 30 June 2016

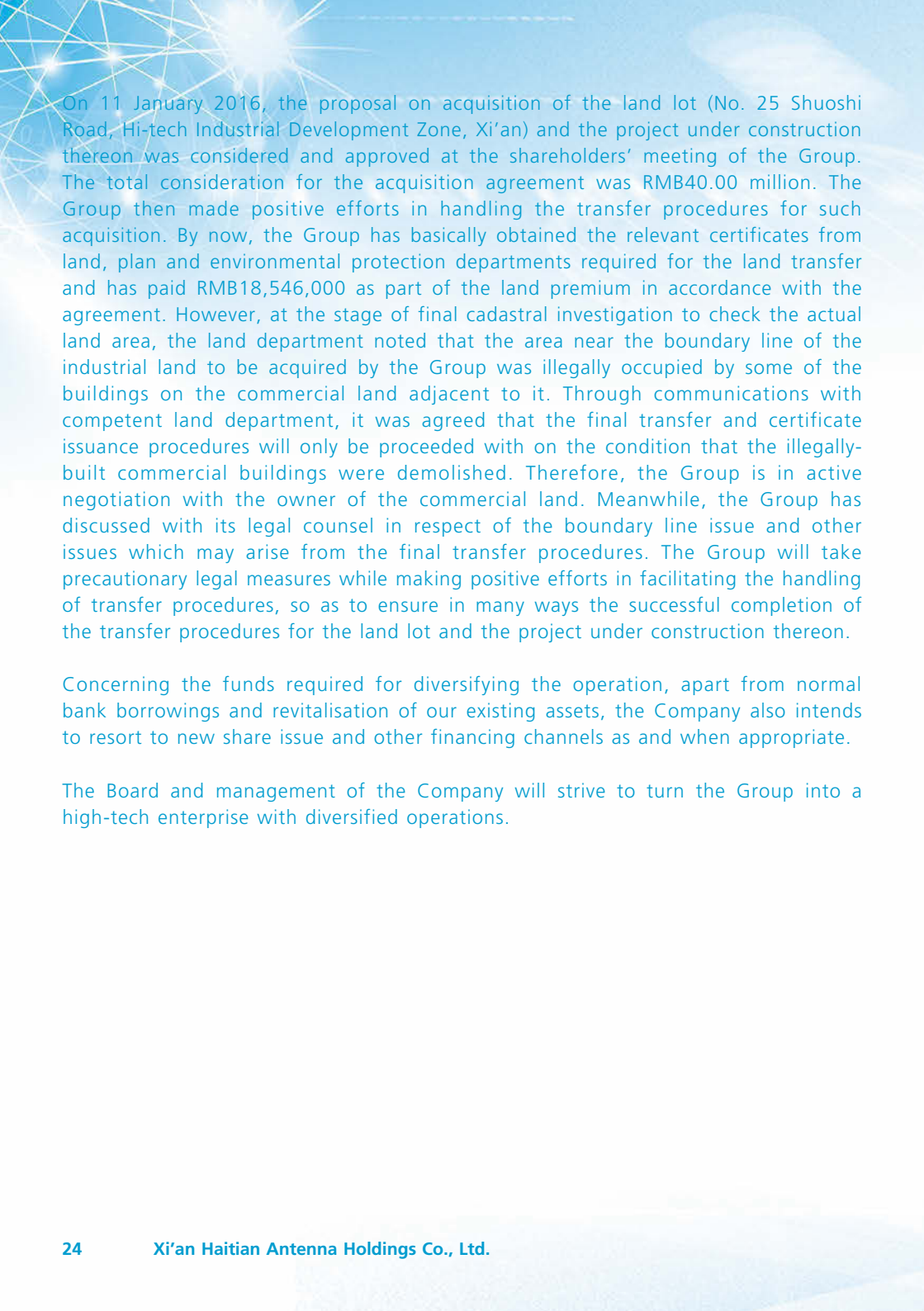


PROSPECTS

In the first two quarters of 2017, the Group has focused on products development and technologies accumulation in respect of aerospace, marine engineering, mobile communications as well as agriculture and poultry farming. Based on market development and demands, technical development and reservation of the high-end mobile communication products as well as the research, development and marketing of the aerospace and marine products were further achieved.

Currently, in respect of aerospace products, the sales market for various types of unmanned autogiros applied to aerial seeding in agriculture, forestry, animal husbandry, insecticide, fertilisation, plant protection, meteorology and micro multi-rotor unmanned aircrafts with various applications has been initially formed. In addition, the Group also offers customised service based on demands from customers with different industry backgrounds, which has provided favourable technical support for the market expansion of its aerospace products. Meanwhile, in respect of heavy-lift unmanned aircraft project in cooperation with internationally renowned companies of researching and developing unmanned aircraft, the flight control system and drive system of such aircraft have passed simulation test and are undergoing real high-altitude test and data correction process. It is expected that the field environment test will be carried out for the theoretical prototype of heavy-lift unmanned aircraft in the second half of this year. After which, the theoretical prototype will be used as sample in industrial production to facilitate the completion of research and production of such unmanned aircraft. On one hand, the launch of such unmanned aircraft will create new profit growth point for the Group by enriching the category of unmanned aircraft in the aerospace product segment of the Group. On the other hand, the Group will also fully tap into the global market through the unmanned aircraft, so as to further improve the sale network.

In respect of marine system devices, the Group researched and developed various types of new deep-sea monitoring imaging system devices and 360° anticorrosion high-definition underwater monitoring system through in-depth cooperation with enterprises specialised in marine and deep sea research. The deep-water monitoring imaging system have initially broken into the market for sale and are well-received thereon.



On 11 January 2016, the proposal on acquisition of the land lot (No. 25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an) and the project under construction thereon was considered and approved at the shareholders' meeting of the Group. The total consideration for the acquisition agreement was RMB40.00 million. The Group then made positive efforts in handling the transfer procedures for such acquisition. By now, the Group has basically obtained the relevant certificates from land, plan and environmental protection departments required for the land transfer and has paid RMB18,546,000 as part of the land premium in accordance with the agreement. However, at the stage of final cadastral investigation to check the actual land area, the land department noted that the area near the boundary line of the industrial land to be acquired by the Group was illegally occupied by some of the buildings on the commercial land adjacent to it. Through communications with competent land department, it was agreed that the final transfer and certificate issuance procedures will only be proceeded with on the condition that the illegally-built commercial buildings were demolished. Therefore, the Group is in active negotiation with the owner of the commercial land. Meanwhile, the Group has discussed with its legal counsel in respect of the boundary line issue and other issues which may arise from the final transfer procedures. The Group will take precautionary legal measures while making positive efforts in facilitating the handling of transfer procedures, so as to ensure in many ways the successful completion of the transfer procedures for the land lot and the project under construction thereon.

Concerning the funds required for diversifying the operation, apart from normal bank borrowings and revitalisation of our existing assets, the Company also intends to resort to new share issue and other financing channels 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 AND FINANCIAL RESOURCES

During the period, the Group was mainly financed by cash from banking facilities and borrowings, and fund raised from issue of new shares. As at 30 June 2017, the Group had bank borrowings of approximately RMB5.00 million of which all were repayable on demand or within one year. These borrowings were mainly used for the Group's daily operations.

During the period, all of the Group's interest-bearing borrowings borne interest rate of 5.435% per month. Since all the borrowings were denominated in RMB, the Directors considered that exposure to foreign exchange risk was minimal.

As at 30 June 2017, the gearing ratio was 6.79% (2016: not applicable), which is calculated based on total interest-bearing borrowings of approximately RMB5.00 million over total shareholders' funds of approximately RMB73.60 million. Cash and cash equivalents decreased from approximately RMB36.27 million to RMB22.43 million. The Group's pledged bank deposits were deposited with banks to secure the quality of the products sold to certain customers and were denominated in RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

CHARGES ON GROUP ASSETS

As at 30 June 2017, the Group pledged bank deposits of approximately RMB0.01 million for the quality of the products sold to customers.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2017, the Group was not exposed to any significant foreign exchange risk as majority of the Group's transactions were denominated in Renminbi. Hence, no financial instrument for hedging was employed.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 55 full-time employees. Total staff costs for the six months ended 30 June 2017 amounted to approximately RMB3.53 million (six months ended 30 June 2016: RMB5.25 million), including remuneration of the Directors and Supervisors. The Group reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending on the financial performance of the Group. The Group has not granted any share options to the Directors and its employees.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries and available-for-sale investment, the Group did not hold any significant investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 30 June 2017, the Group had approximately RMB24.19 million capital expenditure contracted for but not provided in the financial statements (as at 31 December 2016: 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, during the six months ended 30 June 2017, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and affiliated companies.

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

As at 30 June 2017, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

Name of person	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Mr. Xiao Bing (肖兵先生)	Interest in controlled corporation	328,363,637 (Note 1)	37.09%	21.45%
Mr. Chen Ji (陳繼先生)	Spouse interest	189,844,804 (Note 2)	21.44%	12.40%
Mr. Zuo Hong (左宏先生)	Interest in controlled corporation	75,064,706 (Note 3)	8.48%	4.90%

Long positions in H shares of the Company (“H Shares”)

Name of person	Capacity	Number of H Shares	Approximate % in total issued H Shares	Approximate % in total issued Shares
Mr. Chen Ji (陳繼先生)	Beneficial owner	53,500,000	8.28%	3.49%
Mr. Xiao Bing (肖兵先生)	Beneficial owner	10,000,000	1.55%	0.65%

Notes:

- 328,363,637 Domestic Shares are held by Xi’an Tian An Investment Co., Ltd.* (西安天安投資有限公司) (“**Tian An Investment**”), which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by his mother Ms. Yao Wenli. By virtue of the SFO, Mr. Xiao Bing is deemed to be interested in the same 328,363,637 Domestic Shares.
- 189,844,804 Domestic Shares are held by Shanghai Gaoxiang Investment Management Co., Ltd.* (上海高湘投資管理有限公司) (“**Gaoxiang Investment**”), which is beneficially owned by the spouse and mother-in-law of Mr. Chen Ji in equal share. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 189,844,804 Domestic Shares.
- 75,064,706 Domestic Shares are held by Shenzhen Huitai Investment Development Co., Ltd.* (深圳市匯泰投資發展有限公司) (“**Shenzhen Huitai**”), which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, Mr. Zuo Hong is deemed to be interested in the same 75,064,706 Domestic Shares.

Saved as disclosed above, as at 30 June 2017, none of the Directors, Supervisors and chief executives of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2017, so far as is known to the Directors, the Supervisors or chief executive of the Company, the following persons/entities (other than the Directors, Supervisors or chief executive of the Company) who/which had, or are deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who/which were or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Domestic Shares

Name of shareholder	Capacity	Number of Domestic Shares	Approximate	Approximate
			% in total issued Domestic Shares	% in total issued Shares
Tian An Investment	Beneficial owner	328,363,637 (Note 1)	37.09%	21.45%
Professor Xiao Liangyong (肖良勇教授)	Parties acting in concert	328,363,637 (Note 1)	37.09%	21.45%
Ms. Yao Wenli (姚文俐女士)	Interest in controlled corporation	328,363,637 (Note 1)	37.09%	21.45%
Gaoxiang Investment	Beneficial owner	189,844,804 (Note 2)	21.44%	12.40%

Name of shareholder	Capacity	Number of Domestic Shares	Approximate	Approximate
			% in total issued Domestic Shares	% in total issued Shares
Ms. Sun Xiangjun (孫湘君女士)	Interest in controlled corporation	189,844,804 (Note 2)	21.44%	12.40%
Ms. Gao Xuejuan (高雪娟女士)	Interest in controlled corporation	189,844,804 (Note 2)	21.44%	12.40%
Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司)	Beneficial owner	100,000,000	11.29%	6.53%
Shenzhen Huitai	Beneficial owner	75,064,706 (Note 3)	8.48%	4.90%
Ms. Yi Li (易麗女士)	Interest in controlled corporation	75,064,706 (Note 3)	8.48%	4.90%
Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司)	Beneficial owner	70,000,000 (Note 4)	7.91%	4.57%
Mr. Wang Yun (王贊先生)	Interest in controlled corporation	70,000,000 (Note 4)	7.91%	4.57%
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心)	Beneficial owner	54,077,941 (Note 5)	6.11%	3.53%

Name of shareholder	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司)	Interest in controlled corporation	54,077,941 (Note 5)	6.11%	3.53%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	2.26%	1.31%
Hongshi (Shanghai) Investment Consultancy Ltd.* (宏獅(上海)投資諮詢有限公司)	Beneficial owner	18,500,000	2.09%	1.21%
Shanghai Maokou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	2.09%	1.21%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	1.24%	0.71%

Long positions in H Shares

Name of shareholder	Capacity	Number of H Shares (Note 6)	Approximate % in total issued H Shares	Approximate % in total issued Shares
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	74,000,000 (Note 7)	11.46%	4.83%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Beneficial owner and interest in controlled corporation	114,152,000 (Note 7)	17.68%	7.46%
Zeal Warrior Investments Limited	Interest in controlled corporation	114,152,000 (Note 7)	17.68%	7.46%
丁雪	Interest in controlled corporation	114,152,000 (Note 7)	17.68%	7.46%
Auspicious Zone Investments Limited (彩域投資有限公司)	Beneficial owner	76,000,000 (Note 8)	11.77%	4.96%
Sure Rosy Global Investments Limited (順盛環球投資有限公司)	Interest in controlled corporation	76,000,000 (Note 8)	11.77%	4.96%
Mr. Wang Mingyue (王明月先生)	Interest in controlled corporation	76,000,000 (Note 8)	11.77%	4.96%

Name of shareholder	Capacity	Number of H Shares (Note 6)	Approximate %	Approximate %
			in total issued H Shares	in total issued Shares
Huang Li Hou (黃李厚)	Beneficial owner	58,912,000	9.12%	3.85%
Clear Renown Global Limited (朗譽環球有限公司)	Beneficial owner	42,000,000 (Note 9)	6.50%	2.74%
Creative Eagle Holdings Limited (創鷹控股有限公司)	Interest in controlled corporation	42,000,000 (Note 9)	6.50%	2.74%
黃偉汶	Interest in controlled corporation	42,000,000 (Note 9)	6.50%	2.74%

Notes:

- 328,363,637 Domestic Shares are held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by his mother Ms. Yao Wenli. Professor Xiao Liangyong is the father of and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, each of Professor Xiao Liangyong and Ms. Yao Wenli is deemed to be interested in the same 328,363,637 Domestic Shares.
- 189,844,804 Domestic Shares are held by Gaoxiang Investment, which is beneficially owned by Ms. Sun Xiangjun and Ms. Gao Xuejuan in equal share. By virtue of the SFO, each of Ms. Sun Xiangjun and Ms. Gao Xuejuan is deemed to be interested in the same 189,844,804 Domestic Shares.
- 75,064,706 Domestic Shares are held by Shenzhen Huitai, which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, Ms. Yi Li is deemed to be interested in the same 75,064,706 Domestic Shares.
- 70,000,000 Domestic Shares are held by Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司), which is beneficially owned as to 50% by Mr. Wang Yun. By virtue of the SFO, Mr. Wang Yun is deemed to be interested in the same 70,000,000 Domestic Shares.

5. 54,077,941 Domestic Shares are held by Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心) ("**Beijing Holdings**"). By virtue of the SFO, Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司), which holds more than one third of voting rights of Beijing Holdings, is deemed to be interested in the same 54,077,941 Domestic Shares.
6. Details of these shareholders of the Company are based on information as set out in the website of the Stock Exchange and provided by the relevant shareholders. The Company has not been fully notified by the relevant shareholders and has not received all updated notice pursuant to the SFO from them.
7. 74,000,000 H Shares are held by Hongkong Jinsheng Enterprise Co., Limited, which is beneficially owned by Oceanic Bliss Holdings Limited ("**Oceanic Bliss**"), and 40,152,000 H Shares are held by Oceanic Bliss, which is beneficially owned by Zeal Warrior Investments Limited ("**Zeal Warrior**"). 丁雪 is beneficial owner of Zeal Warrior. By virtue of the SFO, each of Oceanic Bliss, Zeal Warrior and 丁雪 is deemed to be interested in the same 114,152,000 H Shares.
8. 76,000,000 H Shares are held by Auspicious Zone Investments Limited, which is beneficially owned by Sure Rosy Global Investments Limited ("**Sure Rosy**"). Mr. Wang Mingyue is beneficial owner of Sure Rosy. By virtue of the SFO, each of Sure Rosy and Mr. Wang Mingyue is deemed to be interested in the same 76,000,000 H Shares.
9. 42,000,000 H Shares are held by Clear Renown Global Limited, which is beneficially owned by Creative Eagle Holdings Limited ("**Creative Eagle**"). 黃偉汶 is beneficial owner of Creative Eagle. By virtue of the SFO, each of Creative Eagle and Mr. 黃偉汶 is deemed to be interested in the same 42,000,000 H Shares.

Saved as disclosed above, as at 30 June 2017, the Directors, Supervisors and chief executives of the Company were not aware of any other person/entity (other than the Directors, Supervisors or chief executive of the Company) who/which had, or is deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who/which was or is expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or who/which was recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As 30 June 2017, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

COMPETING INTERESTS

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

AUDIT COMMITTEE

An audit committee of the Company (the "**Audit Committee**") was established on 4 April 2003 with terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 June 2017, the Audit Committee comprised of Professor Shi Ping and Mr. Laio Kang, independent non-executive Directors, and Ms. Huang Jing, a non-executive Director. The Group's unaudited consolidated results for the six months ended 30 June 2017 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2017, the Company has complied with the requirements of the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2017, the Company adopted a code of conduct regarding securities transactions by Directors on terms which are same as the required standard of dealings as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard for dealings and the code of conduct regarding securities transactions by the Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

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

Xi'an, the PRC, 4 August 2017

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