西安海天天實業股份有限公司

XI'AN HAITIANTIAN HOLDINGS CO., LTD.*

(formerly known as 西安海天天綫控股股份有限公司 (Xi'an Haitian Antenna Holdings Co., Ltd.))*

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

(Stock Code: 8227)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Xi'an Haitiantian 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 GEM (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.*

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 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** ***RMB***	2016 *RMB* (Restated)
Revenue	*3*	**59,925,087**	36,243,095
Cost of sales		**(59,777,605)**	(33,486,186)
Gross profit		**147,482**	2,756,909
Other revenue	*5*	**631,881**	1,786,729
Unrealised gain on fair value changes of held for trading investments		**5,132,378**	–
Distribution expenses		**(911,672)**	(2,027,143)
Administrative expenses		**(21,695,224)**	(18,902,061)
Impairment loss recognised in respect of trade receivables		**(73,201)**	(21,580,035)
Impairment loss recognised in respect of other receivables and prepayments		**(263,590)**	(241,984)
Reversal of impairment loss recognised in respect of trade receivables		**646,202**	914,174
Reversal of impairment loss recognised in respect of other receivables and prepayments		**63,432**	395,461
Finance costs	*6*	**(444,969)**	(758,333)
Loss before tax		**(16,767,281)**	(37,656,283)
Income tax credit	*7*	**13,282**	–
Loss and total comprehensive expense for the year	*8*	**(16,753,999)**	(37,656,283)
Attributable to:			
– Owners of the Company		**(16,682,356)**	(37,653,811)
– Non-controlling interest		**(71,643)**	(2,472)
		(16,753,999)	(37,656,283)
Loss per share	*10*		
– Basic and diluted (RMB cents)		**(1.09)**	(2.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB	2016 RMB
Non-current assets			
Plant and equipment		**11,908,193**	8,109,992
Intangible assets		**6,763,999**	7,362,464
Deposits paid for acquisition of non-current assets		**20,428,500**	20,428,500
Prepayments		**384,142**	302,397
		39,484,834	36,203,353
Current assets			
Held for trading investments	*11*	**25,146,020**	–
Inventories		**2,051,965**	2,842,695
Trade receivables	*12*	**700,402**	14,862,836
Deposits, other receivables and prepayments		**6,232,513**	6,273,544
Amounts due from related parties		**230,000**	26,730,669
Amounts due from a director and supervisor		**815,298**	907,406
Pledged bank deposit		**–**	5,100
Bank balances and cash		**14,811,124**	36,269,114
		49,987,322	87,891,364
Current liabilities			
Trade payables	*13*	**7,126,240**	18,966,050
Other payables and accrued charges		**9,966,141**	10,675,959
Tax payable		**–**	18,534
Amount due to a substantial shareholder		**4,700,000**	–
Amounts due to directors		**–**	400
Bank borrowings		**–**	10,000,000
		21,792,381	39,660,943
Net current assets		**28,194,941**	48,230,421
Net assets		**67,679,775**	84,433,774
Capital and reserves			
Share capital		**153,105,882**	153,105,882
Reserves		**(88,251,992)**	(71,569,636)
Equity attributable to owners of the Company		**64,853,890**	81,536,246
Non-controlling interest		**2,825,885**	2,897,528
Total equity		**67,679,775**	84,433,774

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital *RMB*	**Share premium** *RMB*	**Statutory surplus reserve** *RMB*	**Other Reserve** *RMB*	**Accumulated losses** *RMB*	**Sub-total** *RMB*	**Non-controlling interest** *RMB*	**Total** *RMB*
At 1 January 2016	134,705,882	88,035,760	16,153,228	15,856,279	(181,315,380)	73,435,769	–	73,435,769
Loss and total comprehensive expense for the year	–	–	–	–	(37,653,811)	(37,653,811)	(2,472)	(37,656,283)
Contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	2,900,000	2,900,000
Shares issued	18,400,000	27,354,288	–	–	–	45,754,288	–	45,754,288
At 31 December 2016	153,105,882	115,390,048	16,153,228	15,856,279	(218,969,191)	81,536,246	2,897,528	84,433,774
Loss and total comprehensive expense for the year	–	–	–	–	(16,682,356)	(16,682,356)	(71,643)	(16,753,999)
At 31 December 2017	**153,105,882**	**115,390,048**	**16,153,228**	**15,856,279**	**(235,651,547)**	**64,853,890**	**2,825,885**	**67,679,775**

Notes:

1. GENERAL

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 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, provision of consultancy services and sales of agricultural products.

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)"), amendments 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to HKAS 7 *Disclosure Initiative*

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

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in the consolidated financial statements, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

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

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

3 *Effective for annual periods beginning on or after 1 January 2021.*

4 *Effective date not yet been determined.*

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

3. REVENUE

Revenue represents revenue arising on sale of goods and provision for consultancy services for the year. An analysis of the Group's revenue for the year is as follows:

	2017	2016
	RMB	*RMB*
Sales of goods	**59,925,087**	33,039,766
Provision for consultancy services	**–**	3,203,329
	59,925,087	36,243,095

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and services.

Operating segments including sales of information system and sales of agricultural products identified by the CODM have been aggregate into a single reporting segment as "others" after taking into account that none of which one of a sufficient size to be reported separately.

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; and

– Others, including sales of information system and sales of agricultural products.

The Group's sales of agricultural products (2016: sales of unmanned aerial products, sales of information system and provision of consultancy services) were newly introduced during the year ended 31 December 2017.

Segment revenues and results

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

For the year ended 31 December 2017

	Sales of antennas products and related services *RMB*	**Sales of underwater surveillance and related products** *RMB*	**Sales of unmanned aerial products** *RMB*	**Sales of construction related products** *RMB*	**Provision of consultancy services** *RMB*	**Others** *RMB*	**Total** *RMB*
REVENUE							
External sales	**971,805**	**257,809**	**1,187,693**	**56,713,620**	**–**	**794,160**	**59,925,087**
Segment profit (loss)	**760,750**	**(856,454)**	**(2,561,433)**	**(165,311)**	**–**	**(8,194)**	**(2,830,642)**
Unallocated other revenue							**247,607**
Unrealised gain on fair value changes of held for trading investments							**5,132,378**
Unallocated corporate expenses							**(18,871,655)**
Finance costs							**(444,969)**
Loss before tax							**(16,767,281)**

For the year ended 31 December 2016

	Sales of antennas products and related services *RMB*	Sales of underwater surveillance and related products *RMB*	Sales of unmanned aerial products *RMB*	Sales of construction related products *RMB*	Provision of consultancy services *RMB*	Others *RMB*	Total *RMB*
REVENUE							
External sales	1,946,936	3,939,916	–	26,088,273	3,203,329	1,064,641	36,243,095
Segment (loss) profit	(10,797,603)	(10,863,713)	(1,251,450)	265,826	2,716,436	(409,121)	(20,339,625)
Unallocated other revenue							476,679
Unallocated corporate expenses							(17,035,004)
Finance costs							(758,333)
Loss before tax							(37,656,283)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, certain other revenue, unrealised gain on fair value changes of held for trading investments and finance costs. This is the measure reported to the CODM of the Company for the purposes of the resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2017	2016
	RMB	*RMB*
Sales of antennas products and related services	**1,751,629**	4,746,587
Sales of underwater surveillance and related products	**838,232**	5,522,082
Sales of unmanned aerial products	**39,656,355**	34,669,053
Sales of construction related products	**1,509,238**	16,177,411
Provision of consultancy services	**–**	204,701
Others	**3,067,943**	–
Total segment assets	**46,823,397**	61,319,834
Unallocated assets	**42,648,759**	62,774,883
Consolidated total assets	**89,472,156**	124,094,717

Segment liabilities

	2017	2016
	RMB	*RMB*
Sales of antennas products and related services	**8,574,819**	14,398,726
Sales of underwater surveillance and related products	**306,069**	4,819,525
Sales of unmanned aerial products	**7,767,230**	152,599
Sales of construction related products	**112,227**	10,254,541
Provision of consultancy services	**–**	17,018
Others	**73,736**	–
Total segment liabilities	**16,834,081**	29,642,409
Unallocated	**4,958,300**	10,018,534
Consolidated total liabilities	**21,792,381**	39,660,943

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

– all assets are allocated to operating segments other than held for trading investments, certain amounts due from related parties, pledged bank deposit, bank balances and cash and certain corporate 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 payable, amount due to a substantial shareholder, bank borrowings 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 2017

	Sales of antennas products and related services *RMB*	Sales of underwater surveillance and related products *RMB*	Sales of unmanned aerial products *RMB*	Sales of construction related products *RMB*	Provision of consultancy services *RMB*	Others *RMB*	Unallocated *RMB*	Total *RMB*
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets	–	3,884	1,203,196	111,564	–	2,408,965	2,686,957	6,414,566
Depreciation of plant and equipment	8,699	35,847	1,788,426	315,338	–	12,972	391,261	2,552,543
Amortisation of intangible assets	–	–	613,539	–	–	–	–	613,539
Impairment losses recognised in respect of trade receivables	–	73,201	–	–	–	–	–	73,201
Impairment loss recognised in respect of other receivables and prepayments	232,390	31,200	–	–	–	–	–	263,590
Allowance for inventories	19,303	678,731	66,989	–	–	–	–	765,023
Loss on write-off of plant and equipment	48,748	–	–	–	–	–	–	48,748
Reversal of impairment loss recognised in respect of trade receivables	(646,202)	–	–	–	–	–	–	(646,202)
Reversal of impairment loss recognised in respect of other receivables and prepayments	(63,432)	–	–	–	–	–	–	(63,432)
Government grants and government grants amortised	(225,700)	–	–	–	–	–	–	(225,700)
Waiver of trade payables	(94,987)	–	–	–	–	–	–	(94,987)
Waiver of other payables	(63,587)	–	–	–	–	–	–	(63,587)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	–	–	–	–	–	–	(50,410)	(50,410)
Finance costs	–	–	–	–	–	–	444,969	444,969
Income tax expenses (credit)	–	–	–	–	–	5,252	(18,534)	(13,282)
Unrealised gain on fair value changes of held for trading investments	–	–	–	–	–	–	(5,132,378)	(5,132,378)

For the year ended 31 December 2016

	Sales of antennas products and related services *RMB*	Sales of underwater surveillance and related products *RMB*	Sales of unmanned aerial products *RMB*	Sales of construction related products *RMB*	Provision of consultancy services *RMB*	Others *RMB*	Unallocated *RMB*	Total *RMB*
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets	2,286,851	2,300,354	27,814,041	–	6,984	–	2,013,948	34,422,178
Depreciation of plant and equipment	10,178	1,302,835	20,580	45,704	41,643	–	–	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
Allowance for inventories	–	–	1,210,870	–	–	–	–	1,210,870
Loss on write-off of plant and equipment	–	867	–	–	–	–	–	867
Reversal of allowance for inventories	(2,874,808)	–	–	–	–	–	–	(2,874,808)
Reversal of impairment loss recognised in respect of trade receivables	(303,484)	(610,690)	–	–	–	–	–	(914,174)
Reversal of impairment loss recognised in respect of other receivables and prepayments	–	(23,983)	–	–	–	–	(371,478)	(395,461)
Government grants and government grants amortised	(1,310,050)	–	–	–	–	–	–	(1,310,050)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:								
Bank interest income	–	–	–	–	–	–	(46,337)	(46,337)
Finance costs	–	–	–	–	–	–	758,333	758,333

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	RMB	*RMB*	***RMB***	*RMB*
The PRC (country of domicile)	**59,925,087**	36,062,028	**37,603,072**	36,203,353
Other Asian countries excluding the PRC	**–**	181,067	**1,881,762**	–
	59,925,087	36,243,095	**39,484,834**	36,203,353

5. OTHER REVENUE

	2017	2016
	RMB	*RMB*
		(Restated)
Bank interest income	**50,410**	46,337
Government grants	**37,500**	191,750
Government grants amortised	**188,200**	1,118,300
Net exchange gain	**–**	13,388
Rental income	**193,714**	–
Sales of scrap materials	**–**	266,518
Testing service income	**–**	104,529
Waiver of trade payables	**94,987**	–
Waiver of other payables	**63,587**	–
Others	**3,483**	45,907
	631,881	1,786,729

6. FINANCE COSTS

	2017	2016
	RMB	*RMB*
Interests on bank borrowings	**444,969**	758,333

7. INCOME TAX CREDIT

	2017	2016
	RMB	*RMB*
Current tax:		
PRC Enterprise Income Tax	**(5,252)**	–
Over-provision in prior years:		
Hong Kong	**18,534**	–
	13,282	–

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2017 and 2016 as there were no assessable profits for both 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 Company and the PRC subsidiaries is 25% for both years.

8. LOSS FOR THE YEAR

	2017	2016
	RMB	*RMB*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of plant and equipment	**2,552,543**	1,420,940
Amortisation of intangible assets	**613,539**	–
Auditor's remuneration	**600,000**	550,000
Staff costs:		
– Directors' and supervisors' emoluments	**2,575,674**	2,355,591
– Salaries, wages and allowances	**5,195,238**	5,431,210
– Retirement benefit scheme contributions (excluding directors and supervisors)	**884,294**	990,988
Total staff costs	**8,655,206**	8,777,789
Loss on write-off of plant and equipment	**48,748**	867
Amount of inventories recognised as an expense	**59,012,582**	35,150,124
Allowance for inventories (included in cost of sales)	**765,023**	1,210,870
Reversal of allowance for inventories (included in cost of sales)	**–**	(2,874,808)
Exchange loss (gain), net	**668,224**	(13,388)
Minimum lease payments paid under operating leases rentals in respect of rented office premises	**1,004,189**	405,565
Research and development costs recognised as an expense *(note)*	**613,496**	1,365,278

Note: Included in research and development costs were staff costs and depreciation of plant and equipment of RMB563,514 (2016: RMB1,024,769) and RMB21,004 (2016: RMB124,193) respectively.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

10. 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 RMB16,682,356 (2016: RMB37,653,811) and the weighted average number of 1,531,058,824 (2016: 1,414,282,868) shares in issue during the year.

The diluted loss per share is equal to the basic loss per share as calculated above since the Company does not have any potential shares outstanding for the year ended 31 December 2017 (2016: nil).

11. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	2017	2016
	RMB	*RMB*
Listed securities		
– Equity securities listed in the PRC	**25,146,020**	–

12. TRADE RECEIVABLES

	2017	2016
	RMB	*RMB*
Trade receivables	**52,960,743**	67,696,178
Less: allowance for impairment loss	**(52,260,341)**	(52,833,342)
	700,402	14,862,836

In general, the Group allows a credit period ranging from 5 to 240 days (2016: 5 to 240 days) to its trade customers. The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables, net of allowance for impairment loss, presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2017	2016
	RMB	*RMB*
Within 60 days	**679,002**	14,651,509
61 to 120 days	**21,400**	73,200
121 to 180 days	**–**	–
181 to 365 days	**–**	138,127
	700,402	14,862,836

Included in the Group's trade receivables balance are trade receivables with aggregate carrying amount of RMB186,002 (2016: RMB14,862,836) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the balance was subsequently settled.

13. TRADE PAYABLES

The following is an ageing analysis of trade payables, presented based on the invoice dates, at the end of the reporting period.

	2017	2016
	RMB	*RMB*
Within 60 days	**66,322**	11,470,291
61 to 120 days	**89,437**	–
121 to 365 days	**324,132**	879,428
Over 365 days	**6,646,349**	6,616,331
	7,126,240	18,966,050

The average credit period on purchases of goods is 90 days (2016: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

14. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

(i) As disclosed in the Company's announcement dated 9 March 2018, the Group entered into a framework cooperation agreement with Shijiang Network Technologies Co., Ltd.*（食匠網絡科技有限公司）("Shijiang Technologies"), Shijian Technologies' existing shareholders and its new investors, the independent third parties to the Group, with intention to invest in Shijiang Technologies, a company established in the PRC which principally engaged in the provision of supply chain integration and financing for catering business, and become the controlling shareholders of Shijiang Technologies.

The acquisition has not been completed up to the report date on which the consolidated financial statements are approved by the board of directors of the Company.

(ii) On 19 March 2018, a shareholders' resolution has been passed for the allotment and issue of 200,000,000 new domestic shares at RMB0.1 each to the existing shareholders at RMB0.21, totalling RMB42,000,000. The issue has not been completed up to the report date.

Details are set out in the Company's announcements dated 10 October 2017 and 19 March 2018 and the Company's circular dated 2 February 2018.

(iii) Subsequently to the end of the reporting period, there was a subsequent decline in the fair value of the equity securities listed in the PRC and the estimated unrealised loss of fair value changes of held for trading investments of RMB7,315,206 would be expected with reference to the market price of these equity securities as at the date on which the consolidated financial statements are approved by the board of directors of the Company.

15. COMPARATIVE FIGURES

Reversals of impairment loss in respect of trade receivables, and other receivables and prepayments of RMB914,174 and RMB395,461 respectively for the year ended 31 December 2016 were previously included in other revenue in the consolidated statement of profit or loss and other comprehensive income. To conform to current year's presentation, the abovementioned amounts have been separately presented in the consolidated statement of profit or loss and other comprehensive income to facilitate a better presentation. The consolidated statement of financial position at 1 January 2016 is not presented since there was no impact from the separate presentation of the reversal of impairment loss in respect of trade receivables, and other receivables and prepayments.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Revenue recorded for the year ended 31 December 2017 was approximately RMB59.93 million, representing a significant increase of over 65% from RMB36.24 million for the year of 2016. During the year, the Group mainly operated in 6 reportable segments including sales of antenna 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 and others, including sales of information system and sales of agricultural products.

Sales of antenna products and related services

Along with the promotion of mobile data preferential business of telecommunication operators such as China Mobile, China Telecom and China Unicom, the testing requirement of high-capacity 4G business antenna is also ongoing. The high-gain, large sector, and multi-beam dielectric antenna developed by the Company are being tested under various field environments for every indicator on the test invitation from operators. The Company has been making positive communications with a number of local operators and preparing for actual site building tests, and the technical indicators of products is undergoing debugging process through the cooperation with system suppliers. The new model of antennas has drawn attention from operators and equipment manufacturers of telecom system in market promotion by leveraging its advanced technology and convenient instalment. Meanwhile, combined with technological advantages and the cooperation with Xi'an Xiao's Technologies Technologies Co. Ltd. *（西安肖氏科技有限公司） and the Microwave Institute of Xidian University, the Company is putting technological resources into the development of 5G millimetre-wave antenna which are characterised by high gain, small size, ultra-light weight and low power consumption. The Company has completed the field road test by the end of December. The data obtained from the road test shows that the dielectric lens multibeam antenna is fully suitable for 5G transmission system, which is leading in the PRC at present.

Revenue was dropped from approximately 5% of the Group's revenue in 2016 to merely 2% of the Group's revenue in 2017 as the Group concentrated on development of high-end and 5G products and services. Revenue of approximately RMB0.97 million was mostly come from signal test, and network inspection, maintenance and optimisation.

Sales of underwater surveillance and related products

In the second half of the year, the Company made positive communication with various professional institutes and industry customers, and carried out the technical parameters improvement to the existing mature products based on the needs of customers. At the same time, we participated in the tests from customers and established credit brands with stable quality and advanced technology in the market for the future market demand, which laid a good foundation to build solid sales channels. The Company, meanwhile, developed and designed diversified product categories in accordance with the requirement of market expansion. Cooperated actively with potential equipment manufacturers of system network, based on the current market demand of underwater surveillance for gradual change from single-point construction to multi-point network construction in the market, the Company built up multiple integrated network system and a variety of underwater equipment, aiming to enrich market products and cater for the diversified demands of customers.

Revenue generated was approximately RMB0.26 million or less than 1% of Group's revenue during the year, representing a decrease of approximately 93% from RMB3.94 million for the year of 2016, as more resources were allocated to the improvement of existing products and development of new products in order to cater for changing market demand.

Sales of unmanned aerial products (UAV)

During the redesign process of large-loaded UAV, the internal flight control module of aircraft has passed simulation test, and mechanical drive module has passed the simulation test as well. The aircraft, on a long-term basis, has been adapting to the information collection and comparison analysis of flight data under different environments during the real high-altitude flight test. Meanwhile, the flight control module and drive module in the aircraft are being rectified, debugged and tested for stability. As of November 2017, the design verification of the first theoretical prototype large-loaded UAV has been basically completed in high-altitude test. The standard finalisation and test of large-loaded UAV will be completed by the end of 2018 to achieve the redesign goals of customised prototypes for the Company. At the same time, the various types of customised UAV models will be timely introduced based on the market demand for the use of UAV.

Sales of UAV became a new source of income for the Group during the year since commencement of UAV development. During the year, revenue of approximately RMB1.19 million was mainly attributable to sales of multi-axis rotor UAV, which was accounted for approximately 2% of Group's revenue.

Sales of construction related products

This segment is mainly trading business completed by Haitian Antenna (Shanghai) International Trade Co., Ltd.*（海天天綫（上海）國際貿易有限公司）, a wholly-owned subsidiary established in Shanghai. It started with building materials trade relying on some preferential policies in Shanghai Free Trade Zone. By 2017, trade products mainly consist of aluminium ingots and electrolytic copper products, with trading revenue accounting for approximately 95% of Group's revenue. However, in view of the higher price fluctuation of such products, the Company has reduced gross profit margin to improve the turnover rate of products, with an aim for risk control and lower storage and turnover costs during the year.

Approximately RMB56.71 million was recognised as revenue during the year, which represented more than two-folds of revenue generated from the segment in 2016.

Provision of consultancy services

Under the strategy of the Group, services were only available to existing or potential customers of other operating segments on demand and no further resources were invested to actively develop the operations. Therefore no revenue was recorded during the year, compared to approximately RMB3.20 million in 2016.

Others

Trading of agricultural products was carried out during the year in order to respond positively to the State policy of poverty alleviation and fulfil social responsibility of the Group. Over RMB0.79 million was realised as revenue during the year.

Based on further product structure reshuffling and development of different segment of products and services during the year, customer bases were extended from telecommunication business to other operating segments. No revenue was generated from overseas market during the year.

GROSS PROFIT

Gross profit of approximately RMB0.15 million was recorded for the year with gross profit margin of approximately 0.25%, representing a decrease of nearly 7.36% as when comparing to gross profit margin of approximately 7.61% in 2016. Except for further write-down of inventories by approximately RMB0.77 million during the year, low profit margin of the operating segment of sales of construction related products which was accounted for approximately 95% of revenue was the main reason for significant decrease in overall gross profit margin.

OTHER REVENUE

Approximately RMB0.63 million was recorded as other revenue in 2017, representing approximately 35% of other revenue in 2016. Although approximately RMB0.16 million was realised as gain on wavier of trade and other payables during the year, merely RM0.23 million was recorded as government grants received and amortised for the operating segment of sales of antenna products and related services, compared to approximately RMB1.31 million in 2016.

SEGMENT RESULTS

Distribution expenses for the year were dropped from approximately RMB2.03 million in 2016 to approximately RMB0.91 million, representing a decrease of over 55%. The decrease was mainly attributable to significant decline in staff costs and travelling expenses as less exhibition and marketing events were performed during the year.

Impairment loss on trade receivables of approximately RMB0.07 million was provided for the year for those impaired debts of the operating segment of sales of antenna products and related services. Reversal of impairment loss on trade receivables of approximately RMB0.65 million was recorded for the receipts from impaired debts. Accordingly, the accumulated impairment loss on trade receivables was greatly increased to approximately 99% of total trade receivables at 31 December 2017 as when comparing to approximately 78% at 31 December 2016.

Approximately RMB0.26 million was recognised as further impairment loss on deposits, other receivables and prepayments for the year that accumulated impairment loss on deposits, other receivables and prepayments was increased from approximately 29% to approximately 31% of total current portion of deposits, other receivables and prepayments at reporting dates.

After allocation of government grants and waiver of trade and other payables under other revenue, distribution costs, depreciation and amortisation expenses under administration expenses, and impairment loss recognised/reversal of impairment loss in respect of trade receivables, other receivables and prepayments, except for the operating segment of sales of antennas products and related services, segment losses were reported for other operating segments as the gross profit margin and sales volume were not sufficient to cover relevant operating costs.

OTHER COSTS AND EXPENSES

Administrative expenses were increased from approximately RMB18.90 million in 2016 to approximately RMB21.70 million for the year, representing an increase of approximately 15%. Increase of approximately RMB1.63 million was attributable to depreciation of decoration costs for Xi'an head office and Hong Kong office, and approximately RMB0.97 million was attributable to the increase in hospitality and travelling expenses for overseas market research, study and promotion.

As all interest-bearing borrowings were repaid during the year, finance costs incurred was decreased from approximately RMB0.76 million in 2016 to approximately RMB0.44 million for the year.

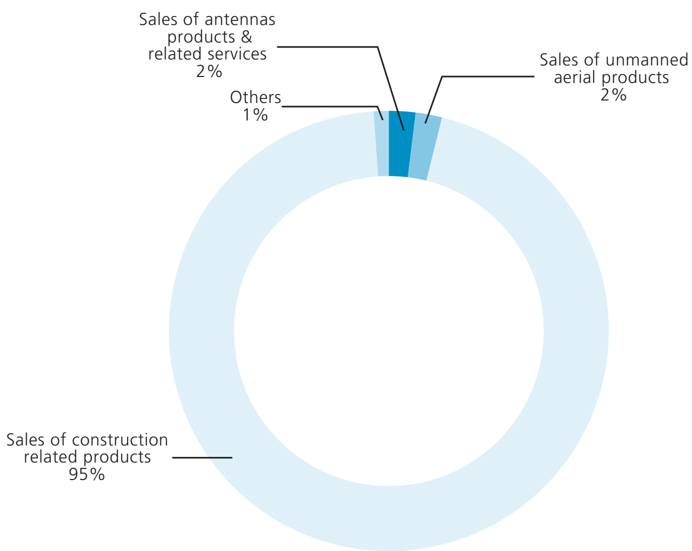
Unrealised gain on fair value changes of held for trading investments of approximately RMB5.13 million was reported for the year in respect of listed equity securities acquired during the year as there was approximately 26% quoted market price appreciation from the acquisition costs.

LOSS FOR THE YEAR

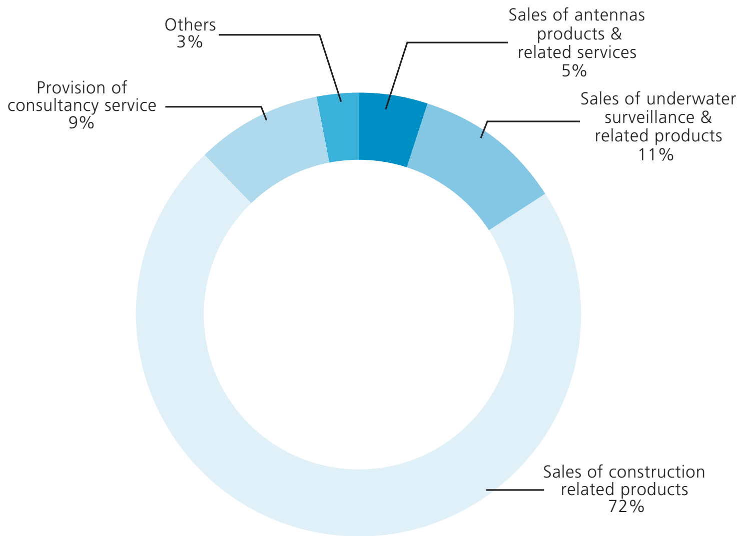
Nevertheless revenue was increased by more than 65% and the overall operating expenses were decreased during the year, low gross profit margin and insufficient sales volume resulted in loss for the year of approximately RMB16.75 million which was approximately 56% less than loss of approximately RMB37.66 million reported in 2016.

Composite of revenue by reportable and operating segment for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, are provided as follows:

For the year ended 31 December 2017 (by reportable segment)



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



PROSPECTS

In 2017, the Group continued to improve, research and develop on product ranges such as mobile communications, aerospace and marine engineering equipment. Responding to the State's poverty alleviation, a certain scale of cultivation base for agricultural products was basically established and actively expanded market while constantly improving its product categories.

In 2018, the Group will continue to step up efforts in research and development of high-end manufacturing series products such as mobile communications, aerospace and marine engineering equipment, constantly enrich our product categories and carry out extensive market development in business. Meanwhile, by virtue of the State's poverty alleviation of basically established cultivation base for agricultural products, the Group will strive for the new breakthrough in agricultural products sector, with an aim to achieve the Group's strategic goal of product development and improve its operational performance.

The Group also intends to aggressively explore new sectors of development in high-tech products and services such as mobile internet, IT, high-end manufacturing while focusing on the development of existing product ranges in 2018. The Group will continue to identify and reserve extensive high-quality projects in the industries which the State vowed to vigorously support for promotion, and accelerate strategic adjustment to and transition of its products leveraging on its capital and experience of many years in investment management.

Concerning the funds required for the sustainable development of the Group, apart from bank borrowings and revitalisation of our existing assets, the Group also intends to resort to other financing channels, such as new share issue and bond issue, as and when appropriate. The Board and management of the Group 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 2017, all bank borrowings were repaid and those borrowings during the year 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 5.435% per month. Majority of borrowings were denominated in RMB during the year. Details of policy in respect of foreign currency risk and liquidity risk are disclosed in note 6 to the consolidated financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

As at 31 December 2017, the gearing ratio was not applicable to the Group as there was no interest-bearing borrowings (2016: 12.3%, which is calculated based on total interest-bearing borrowings over equity attributable to owners of the Company). Cash and cash equivalents decreased approximately from RMB36.27 million to RMB14.81 million. As at 31 December 2017, no bank deposit was pledged to secure any operations and liabilities of the Group.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2017, 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 2017, no assets of the Group were pledged for its operations and liabilities.

CONTINGENT LIABILITIES

As at 31 December 2017, except for those disclosed in note 40 to the consolidated financial statements, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had 54 (2016: 60) full-time employees. Total staff costs for the year 2017 amounted to approximately RMB8.66 million (2016: RMB8.78 million), including remuneration of the Directors and members of the supervisory committee (the "Supervisors"). The Group reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group has not granted any share options to the Directors and its employees.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries disclosed in note 41(i) to the consolidated financial statements and held for trading investments in note 19 to the consolidated financial statements, the Group did not hold any significant investment for the year ended 31 December 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2017, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB21.45 million, and acquisition of an associate amounted to approximately RMB2.00 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 2017.

UTILISATION OF NET PROCEEDS FROM EQUITY FUND RAISING ACTIVITIES

During the year ended 31 December 2017, utilisation of net proceeds from equity fund raising activities is as follows:

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

Proposed use of net proceeds	Approximate proposed amount of net proceeds	Approximate utilised amount of net proceeds
Repayment of bank loans and interest expenses	HK$6.10 million	HK$6.09 million
Working capital of the Group	HK$16.40 million	HK$7.10 million
Approximate amount raised/utilised	**HK$22.50 million**	**HK$13.19 million**

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

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 2017.

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 Dr. Lam Lee G. 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, including key audit matters, 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 2017.

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 Haitiantian Holdings Co., Ltd.*
Chen Ji
Chairman

Xi'an, the PRC, 23 March 2018

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 Dr. Lam Lee G.（林家禮博士）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*