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 REPORT

2017

* for identification purposes only

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This report, 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 the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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Corporate Information

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

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GEM STOCK CODE
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MEMBERS OF AUDIT COMMITTEE
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Dr. Lam Lee G. (林家禮博士)
Ms. Huang Jing (黃婧女士)

MEMBERS OF NOMINATION COMMITTEE
Mr. Tu Jijun (涂繼軍先生) (Chairman)
Mr. Zhang Jun (張鈞先生)
Mr. Zuo Hong (左宏先生)

MEMBERS OF REMUNERATION COMMITTEE
Mr. Tu Jijun (涂繼軍先生) (Chairman)
Professor Shi Ping (師萍教授)
Mr. Li Wenqi (李文琦先生)

AUTHORISED REPRESENTATIVES
Mr. Xiao Bing (肖兵先生)
Mr. Lun Ka Chun (倫家俊先生)

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE
Mr. Lun Ka Chun (倫家俊先生)

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
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PRINCIPAL BANKERS
China Construction Bank
No.42 Gao Xin Lu
Gaoxin District
Xi'an, Shaanxi Province, The PRC

Bank of Ningxia
No.3 Tang Yan Lu
Gaoxin District
Xi'an, Shaanxi Province, The PRC

No.136 Weiyang Lu
Weiyang District
Xi'an, Shaanxi Province, The PRC

China Everbright Bank
No.60 Nan Er Huan Xi Duan
Gaoxin District
Xi'an, Shaanxi Province, The PRC

Shanghai Rural Commercial Bank Co., Ltd.
1-3/F., New Epoch International Plaza
No.1599 Huangxing Lu
Yangpu District
Shanghai, The PRC

Chairman's Statement

Dear shareholders,

I am pleased to present the annual report of Xi'an Haitiantian Holdings Co., Ltd. together with its subsidiaries (the "Group") for the year ended 31 December 2017 on behalf of the board of Directors (the "Board").

In 2017, the Group continued to carry out product development, product technical reservation and market development on a wide range of products such as mobile communications, aerospace and marine engineering equipment. In respect of mobile communications products, the Group optimised its product structure in 2017 and proactively developed a series of antennas products with new materials which are characterised by new broadband, multiple-beam, high gain and full-angle coverage. The new antennas products can be widely used by telecommunication operators in 4G network optimisation, 5G network construction and emergency communication support, which had impressive results. In respect of aerospace business, the Group constantly improved its relevant product technologies while conducting technical cooperation with famous European aircraft manufacturer of designing and manufacturing. Currently, the category of aerospace products mainly consist of large-loaded unmanned aerial vehicle ("UAV") products and multi-axis rotor UAV, of which the drive system, the flight control system and the data transmission system of large-loaded UAV products have now completed simulation test; while the research and development on industrial UAV product lines of multi-axis rotor UAV have completed in 2017 and formed preliminary sales. As for marine engineering equipment, the Group further developed and enriched its product categories based on the existing products such as underwater monitoring, underwater imagining and underwater machinery. The Group has been researching and developing a high-definition, high-pressure underwater detection system and a radar detection product that are applicable to fire rescue, deep water exploration and polar environment detection. In view of the development progress of the products, the Group will explore the market in deep water industry such as the reservoir and seaport progressively.

In 2017, with the basic completion of poverty alleviation projects in Yi County, Baoding City, Hebei Province, the PRC, various kind of agricultural products were preliminarily penetrated into the market for sales by the Group and received a good market response, which not only enabled the poverty alleviation work of the Group to make achievements but also delivered new sales performance for the Group.

The Group has started the new issuance of 200 million domestic shares in the second half of 2017, which is expected to be completed by the end of March 2018 and approximately RMB42 million will be raised upon the completion of the issuance. Good financial support for the development of products and market expansion will be obtained by the Group through this new issuance.

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

Chen Ji
Chairman

Xi'an, the PRC
23 March 2018

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% 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.

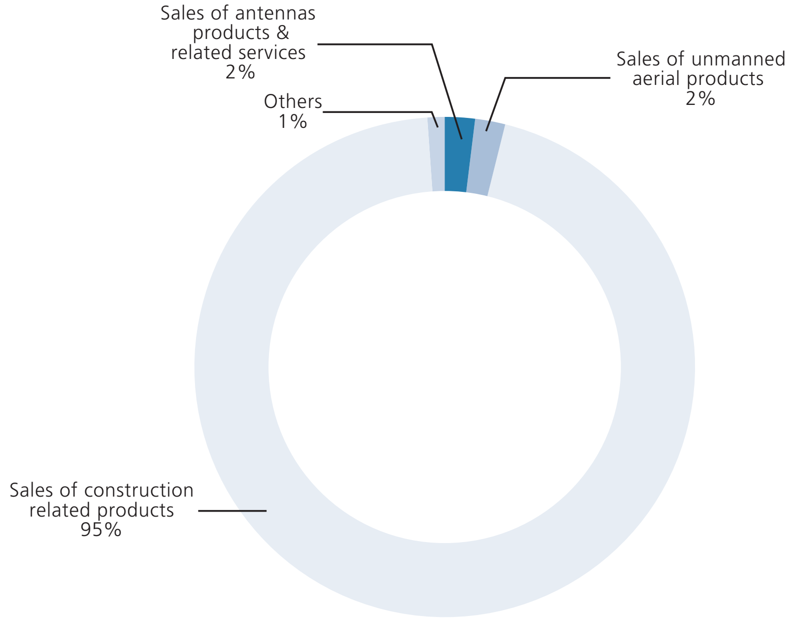
Unrealised gain on fair value changes of held for trading investments of approximately RMB5.13 million was reported for the year in respect of listed equity securities acquired during the year as there was approximately 26% quoted market price appreciation from the acquisition costs.

LOSS FOR THE YEAR

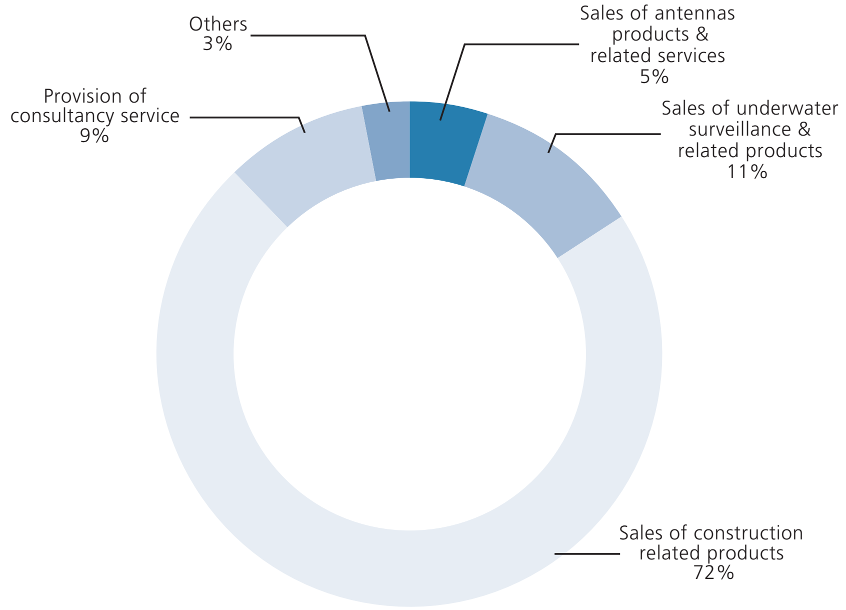
Nevertheless revenue was increased by more than 65% and the overall operating expenses were decreased during the year, low gross profit margin and insufficient sales volume resulted in loss for the period of approximately RMB16.75 million which was approximately 56% less than loss of approximately RMB37.66 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 investments in subsidiaries and held for trading investments disclosed in note 41(i) and note 19 to the consolidated financial statements respectively, 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.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2017, sales to the top five customers and the largest customer accounted for approximately 90.3% (2016: 82.9%) and 55.3% (2016: 34.3%) respectively of the Group's revenue.

For the year ended 31 December 2017, purchases from the top five suppliers and the largest supplier accounted for approximately 38.5% (2016: 82.6%) and 12.7% (2016: 34.4%) respectively of the Group's total purchases.

During the year ended 31 December 2017, each of the top five customers and the top five suppliers is independent of and not connected with any of the Directors, chief executives or any shareholders of the Company which, to the best knowledge of the Directors, own more than 5% of the Shares of the Company, or any of their respective associates.

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 Report

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.

THE BOARD OF DIRECTORS

Composition and function

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the Code, the Board adopted a board diversity policy (the "Board Diversity Policy"). The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

As at 31 December 2017, the Board comprised eleven Directors including Mr. Chen Ji (chairman) and Mr. Xiao Bing (vice-chairman) as executive Directors, Mr. Sun Wenguo (vice-chairman), Mr. Li Wenqi, Mr. Zuo Hong, Ms. Huang Jing and Mr. Yan Weimin as non-executive Directors and Mr. Zhang Jun, Professor Shi Ping, Mr. Tu Jijun and Dr. Lam Lee G. as independent non-executive directors. Biographies of the Directors are set out in the paragraph headed "Directors, Supervisors and Senior Management" of this annual report.

Members of the Board comprise experts from diverse business and professional backgrounds who have served relevant PRC government organisations, listed companies, multinational or other organisations. All of the members of the Board have many years of experience in investment, business operation, financial management and corporate administration. The current composition of the Board is considered to be a reasonable balance between executive and non-executive Directors, and be able to provide adequate checks for safeguarding the interests of shareholders of the Company.

The Board is responsible for overseeing the preparation of accounts of each financial period, which shall give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. It is also responsible for formulating the Group's long-term strategy and supervising the management to ensure thorough implementation of the Group's policies and effective performance of their duties. Also, the Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report. During the financial year ended 31 December 2017, the Board has performed the corporate governance duties set out in the Code.

Delegation by the Board

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

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

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

The Separate Roles of Chairman and Chief Executive Officer
For the financial year ended 31 December 2017, the Company did not have a chief executive officer. The day-to-day management of the Group's business was handled by the executive Directors of the Company collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's present business operations. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Board meetings and attendance
The Board meets at least quarterly and additional Board meetings are held as and when required. Between scheduled meetings, the Directors are provided with information on the activities and development in the businesses of the Group in a timely manner to keep them abreast of the Group's latest developments. During the financial year ended 31 December 2017, the Board held 18 meetings.

Details of Directors' attendance records in 2017:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Chen Ji	18/18	1/1
Mr. Xiao Bing	18/18	1/1
Non-Executive Directors		
Mr. Sun Wenguo	18/18	0/1
Mr. Li Wenqi	18/18	1/1
Mr. Zuo Hong	18/18	1/1
Ms. Huang Jing	18/18	1/1
Mr. Yan Weimin	18/18	0/1
Independent Non-Executive Directors		
Mr. Zhang Jun	18/18	0/1
Professor Shi Ping	18/18	1/1
Mr. Tu Jijun	18/18	1/1
Dr. Lam Lee G. (appointed on 15 September 2017)	6/6	0/0
Mr. Liao Kang (resigned on 20 August 2017)	10/10	0/1

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by the Directors during the financial year ended 2017 according to the records provided by the Directors is as follows:

	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Chen Ji	✓
Mr. Xiao Bing	✓
Non-Executive Directors	
Mr. Sun Wenguo	✓
Mr. Li Wenqi	✓
Mr. Zuo Hong	✓
Ms. Huang Jing	✓
Mr. Yan Weimin	✓
Independent Non-Executive Directors	
Mr. Zhang Jun	✓
Professor Shi Ping	✓
Mr. Tu Jijun	✓
Dr. Lam Lee G. (appointed on 15 September 2017)	✓
Mr. Liao Kang (resigned on 20 August 2017)	✓

DIRECTORS' SECURITIES TRANSACTIONS

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

INDEPENDENCE

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

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005 and consists of three members, majority of which being independent non-executive Directors. Currently, the Chairman of the committee is Mr. Tu Jijun, an independent non-executive Director, and other members include Professor Shi Ping and Mr. Li Wenqi.

The Remuneration Committee is responsible, among others, to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee has the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management. Remuneration includes benefits in kind, pension rights and compensation payments, basic salary and performance bonus, of the executive Directors and senior management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. The committee ensures that no Director is involved in deciding his own remuneration.

The specific terms of reference of the Remuneration Committee is posted on the Company's website.

The Remuneration Committee held 1 meeting in 2017 and was attended by committee members. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Li Wenqi	1/1
Independent Non-Executive Directors	
Professor Shi Ping	1/1
Mr. Tu Jijun	1/1

During the financial year ended 2017, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

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

The Nomination Committee is responsible for formulating nomination policy, reviewing the structure, size and composition of the Board on a regular basis, implementing Board Diversity Policy and making recommendations to the Board on selection and appointment of Board members. The specific terms of reference of the Nomination Committee is posted on the Company's website.

The Nomination Committee held 1 meeting in 2017 and was attended by committee members for the selection and recommendation of candidates for directorship having regard to the relevance of skills and experience appropriate to the Group's business. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Zuo Hong	1/1
Independent Non-Executive Directors	
Mr. Zhang Jun	1/1
Mr. Tu Jijun	1/1

During the financial year ended 2017, the Nomination Committee has, amongst other things, determined the policy for the nomination of directors and adopted the nomination procedures and the process and criteria under Board Diversity Policy to select and recommend candidates for directorship during the year.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules in April 2003. The Audit Committee is currently chaired by, an independent non-executive Director, 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 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.

The Audit Committee held 4 meetings in 2017 discussing the Group's annual results for 2016, quarterly results for 2017, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Ms. Huang Jing	4/4
Independent Non-Executive Directors	
Professor Shi Ping	4/4
Dr. Lam Lee G. (appointed on 15 September 2017)	1/1
Mr. Liao Kang (resigned on 20 August 2017)	3/3

During the financial year ended 2017, the Audit Committee has, amongst other things, reviewed the quarterly, half-yearly and annual results of the Company and reviewed internal control matters of the Company.

The Company has complied with Rules 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

AUDITOR'S REMUNERATION

During 2017, the fees paid and payable to external auditor for audit services and other services amounted to RMB600,000 and RMB20,000 respectively.

INTERNAL CONTROL

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

During the financial year ended 2017, there are following changes in the Company's articles of association:

- Alternation of scope of operation of the Company
- Change of company name
- Change in share capital and shareholding structure in respect of new issue of H shares of the Company

Details of changes are more particularly described in the circulars of the Company dated 15 May 2017.

2017 Environmental, Social and Governance Report

ABOUT THE GROUP

Xi'an Haitiantian Holdings Co., Ltd. (the "Company", or together with its subsidiaries, the "Group") was established in October 1999, with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2003.

Since its establishment, the Group has been concentrating on the development of mobile communication products and services while developing various types of marine engineering equipment, and has built up a complete operating system that integrates product development, production, sales, installation and services (the "Principal Businesses"). The Group fully understands the importance of independent R&D and innovation and has developed more than 400 types of antenna-related communication products on its own, which are widely used in mobile communication networks across the country. The Group also owns more than 50 patented technologies and has undertaken a number of key scientific research projects for various government agencies. The Group's innovative efforts and achievements in this area have been highly recognized by the State, which earned it the title as one of the first "Innovative Enterprises" certified in China.

ABOUT THIS REPORT

Reporting Principles and Scope

This Environmental, Social and Governance Report (the "Report") discloses the principles, strategies, objectives and overall performance of the Company's principal businesses in respect of environmental, social and governance reporting. It has been prepared with reference to the "Environmental, Social and Governance Reporting Guidelines" in Appendix 20 of the GEM Listing Rules of the Stock Exchange.

If you have any opinions about this report, you are welcome to email us at info@xaht.com.

Overall Principals and Policies

The Group is committed to operating under the principle of sustainable development and in an ethical, honest and transparent manner. Its operations are in complete compliance with all the applicable laws, regulations and standards. We have been trying constantly to improve our environmental, social and governance performance through proper corporate governance, environmental protection, participation in community activities and social services, and are actively and continuously communicating with our internal and external stakeholders, e.g. customers, employees, communities, suppliers, business partners, investors and regulatory authorities, listening to their opinions on the development of society and environment, so as to understand their requirements on us and establish a long-term and sustainable relationship with them, thus achieving a common healthy development of the Company and the community.

REPORT ON THE ENVIRONMENT

Environment protection

We are concerned about the impact of our business operations on the natural environment. Therefore, we have been striving to bring the elements of environmental protection into our daily operations, strengthening our overall environmental management and raising our employees' environmental awareness. The Group has formulated a series of environmental protection codes, including the "Procedures for Environmental Elements Identification and Evaluation", "Environmental Operation Control Procedures", "Procedures for Environmental Monitoring and Measurement Control" and the "Extracts of the Major Environmental Laws and Regulations Involving Haitiantian Antenna", and ensures that its employees strictly comply with such codes. The Group's internal environmental protection policies and measures were formulated with reference to the relevant national guidelines and standards. We comply with the secondary standards of the Ambient Air Quality Standards (GB3095-2012) for air quality management in the general working environment. Meanwhile, we put the administrative regulations of the "Environmental Protection Law of the People's Republic of China" and the "Regulations on the Administration of Environmental Protection of Construction Projects" into practice and dispose of electronic appliances in accordance with the requirements of the "Measures for the Administration of Pollution Control of Electronic Information Products."

The Group hopes to encourage its employees to make good use of resources, advocate energy and resource conservation, reduce our impact on the environment and protect the environment through the effective implementation of the aforementioned environmental protection policies and codes.

During the reporting period, the Group did not have any non-compliance with environmental laws and regulations related to waste gas and greenhouse gas emissions, water and land discharge, and generate hazardous or non-hazardous pollutants that have a significant impact on the Group.

1. Emission Management

Carbon emission control

The Group complies strictly with the "Environmental Protection Law of the People's Republic of China", while proving its compliance with the requirements of relevant laws by passing the ISO19001_2008 standard certification of the quality control system.

We require our designers to use the materials that produce minimal or no pollution to the environment in the product design process, and prohibit the use of materials that are expressly prohibited by national laws and regulations. The designers of the products are also required to select materials that meet the requirements of the RoHS Directive on Hazardous Substances.

In addition to product design, we control carbon emissions through the environmental management in the production processes. The Group does not discharge industrial waste gas during its production process, nor does it produce waste water from the cleaning of its equipment. Our staff living in the dormitory may produce a small amount of domestic waste water in their daily life, but such domestic waste water will be properly processed by the septic tank.

2. Use of Resources

Green office operation

We cherish the limited resources on earth and strive to reduce waste. Therefore, we advocate green office operation and require our employees in all departments to strictly comply with the requirements of the "Regulations on Electricity Conservation Management" in daily work and the "Administrative Regulations for Office Supplies Requisition" in handling their requests for office supplies and paper consumption, aiming to continuously improve our energy efficiency management. Meanwhile, we strive to promote environmental awareness by identifying and assessing potential environmental risks and making efforts to reduce resource consumption, with the following specific measures:

i. Regulating our employees' use of office appliances under the principle of "switch it up only when you need to use it, put it idle when you don't, and shut it down after work";

ii. Using a timer to control our lighting system in summer and winter, respectively;

iii. Regulating our employees' water usage so as to reduce waste;

iv. Maximizing paperless office operation, with information transmission over the network; encouraging double-sided printing as well as waste paper recycling;

v. Performing regular inspection and maintenance on our equipment, improving the energy-consuming devices inside to ensure efficient operation.

The call of the Comprehensive Management Department on energy saving and emission reduction met with a warm welcome and full cooperation from all the departments of the Company, with which the consumption of water and electricity and use of paper during the year was significantly improved compared with the previous year.

i. We paid an average electricity tariff of approximately RMB160,000 this year, as compared with that of approximately RMB190,000 for the last year;

ii. We paid an average water fee of approximately RMB0.4 million this year, as compared with that of approximately RMB0.6 million for the last year.

iii. We managed to keep our average monthly paper usage below 2,000 sheets.

3. Environment and Natural Resources

The Group fully understands the importance of protecting biodiversity and the ecosystem. We have established, and have been following and maintaining an efficient environmental management system, which advocates environmental protection practices.

Proper disposal of waste
In order to prevent serious damage to the environment caused by improper disposal of waste, the Group implemented strict guidelines in this regard. Used computers, electronic products and waste batteries, cartridges, and consumables generated in our daily operations which will cause environmental pollution will be recycled by competent companies with a "Certificate of Disposal of Waste Electrical and Electronic Products" according to the requirements of the Interim Provisions on the Discharge of Industrial Solid Waste in the High-tech Zone. If it is to be cleared by individuals, we will request the contractors to sign a Guarantee on Waste Disposal, which clearly states where the waste will go, so as to prevent environmental pollution.

For the untreated solid waste, we suggest:

i. extension of the service life of electronic products; repairing of the damaged electronic equipment; reselling to our employees at a low price of those low-level equipment and electronic products that cannot be upgraded;

ii. collection and classification of the electronic waste after work, and storage at designated locations;

iii. proper precautionary measures against rain, fire, leakage, ventilation be considered for depots of hazardous waste, with proper labelling for dangerous and wasted materials; adequate training for transport service providers for dangerous goods so that they understand the characteristics of hazardous waste and are able to protect themselves;

iv. inspection on the storage of waste by the Administration Department.

REPORT ON THE SOCIETY

Employment and Labour Practices

1. Employment and Labour Practices

Employment policy
As at 31 December 2017, the Group had 54 employees. We are committed to providing our employees with a work environment that is free from discrimination against gender, age, nation, sexual orientation, family status, race or religion, and with a place where our employees feel accepted, cared and respected. The Group respects the laws in the areas where its people are employed, including the Labour Law, the Labour Contract Law and the Labour Basic Standard Law of the People's Republic of China, and formulates its own employment and labour practices in accordance with the industrial practices, which are detailed in the employee's handbook, aiming to regulate the employee's behaviour and responsibilities and ensure they are treated fairly.

We have a well-maintained compensation management system to ensure that all our employees can enjoy the remuneration, benefits and welfare bestowed upon them by law, including minimum salary, vacation, compensation for termination, social insurance and provident fund benefits. From time to time, we will review our remuneration standards and adjust our employees' remuneration in accordance with market conditions and industry benchmarks, the nature of their work and their experiences, assessment results and the financial results of the Group, so as to maintain our competitive edge in the market.

Communication with employees
We care about our employees and are always ready to communicate with them, for which we have set up diversified channels between the management and our employees to facilitate communication between them and enhance their efficiency in this aspect. When new employees are admitted, we will conduct training for them, briefing them on the Company's relevant regulations and corporate culture. We will hold a series of activities such as the collection of slogans on our corporate culture from time to time, so that our employees can participate in the nurturing of our corporate culture and develop a better idea of our corporate culture and values. And besides, we frequently organize dinners and evening parties to bring our people together like a family.

During the reporting period, the Group was not involved in any illegal activities in relation to its employment which had a significant impact on it.

Labour standards
The Group prohibits the use of child labour and forced labour in strict compliance with the requirements of the Labour Law of the People's Republic of China. When hiring people, we require the applicants to present their IDs and academic certificates, etc. to ensure that we will not end up hiring child labour. We will also make sure there are no forced labour-related complaints by specifying the time and nature of work when signing the labour contracts with our employees.

2. Occupational Health and Safety

Safety first
We put our employees' health and safety in the first place as always. In addition to obtaining work-related injury insurance for all our employees, the Group formulated, in strict compliance with the relevant provisions of the "Safe Production Law of the People's Republic of China" and the "Labour Law of the People's Republic of China", a series of internal guidelines to standardize its daily operations, eliminate potential safety hazards and protect its employees' safety, including the "Safety Training System", "Regular Safety Meeting System", "Safety Inspection System" and "Hidden Hazards Screening System".

To prevent accidents, we closely monitor the safety indicators in the working environment, regularly check the machines and related operating procedures to ensure that all safety rules are obeyed. We have also put in place adequate fire extinguishers and first aid packages, and organized all kinds of occupational safety training sessions, including education on fire prevention and emergency response, equipment operation and fire drills. We will review the relevant safety rules from time to time. If any safety hazards are found, our employees and supervisors must report immediately to the management and take necessary remedial measures to prevent accidents.

Physical and mental health
We care about our employees and are ready to help them maintain a balance between life and work, so as to achieve pleasant mental health. The Group regularly organizes and encourages its employees to participate in various kinds of activities that can promote their awareness of health. We hold outdoor and social events such as dinners and sports within each department, hoping to enhance the cohesiveness of the department, ease the pressure from work and create an agreeable working atmosphere.

During the reporting period, the Group did not incur any major safety accidents and work-related injuries; nor did it have any illegal acts or that of non-compliance related to the safe working environment and protection of its employees from occupational hazards, which had a significant impact on the Group.

3. Development and Training

We support our staff in exploiting their potential and promoting long-term career development, for which we have launched a comprehensive career development programme for them. We provide them with diversified part-time training opportunities in accordance with the needs of their positions and specialities.

The Company holds training sessions for its employees from time to time, which are grouped into "internal trainings" and "external trainings". The former refers to the build-up of professional skills in each department based on their own business characteristics and needs, as well as those held by the HR department to promote our corporate culture and welcome new employees, while the latter refers to trainings held for the promotion of management and professional skills which require the engagement of external professional lecturers, as well as those held to assist our employees in obtaining professional certificates. We evaluate the effects of the training and our employees' performance to adjust the training programs. In addition, the Company will engage professionals to provide guidance on self-study to our directors and senior management of the listing rules, corporate governance and other aspects.

In order to promote a harmonious employer-employee relationship and maintain a stable workforce, we encourage internal promotion. We provide a fair platform for all our employees and decide on promotion through comprehensive evaluation. Meanwhile, we maintain open communication with our employees on their feelings about work, room for promotion, and career targets, aiming to improve their sense of belonging to the Company.

Operating practices

4. Supply Chain Management

The Group is concerned about the impact of its daily operations and products on the environment and society. We believe that proper supply chain management is essential for business sustainability and quality control. To achieve a sound supply chain management, we should start with controlling the quality of raw materials, and integrating viable environmental and financial practices into the entire supply chain cycle. Based on this theory, we have formulated our "Supplier Management System" and "Purchase Management System", aiming to maintain strict control over the supply chain.

Procurement policy

As at 31 December 2017, the Group had a total of 24 suppliers, mainly from China (including Shanghai, Shandong, Shenzhen, Shaanxi, Beijing, Guangdong, Anhui, etc.), Canada and Germany. Our "Purchase Management System" details our supplier selection criteria and identifies and evaluates the relevant risks. Generally speaking, we select suppliers based on their technological achievements, product and service quality, costs and track records. We have also established a competitive and transparent tendering and procurement process in order to achieve fairness and credibility, and prevent the suppliers from getting the contracts through bribery. We also closely monitor and regularly assess our suppliers, so as to keep the relevant risks under control.

Enhancing communication

During the reporting period, the Group did not replace any of its major suppliers but maintained close communication with them. The Group will review the suppliers' performance periodically. We resort to such measures as meetings, telephone calls and questionnaires to ensure that they are able to fulfil their contractual responsibilities while complying with the Group's criteria and national laws and regulations.

In addition, we organize various events or activities on our network platform for our suppliers so that they can have a better idea of our products, corporate values and culture. We encourage them to continuously improve their performance, make joint efforts with us in research and study as well as continuous contribution to the sustainable development of economy, society and environment.

5. Product Responsibility

Maintaining good product quality monitoring

We are committed to satisfying our customers with high-quality and safe products while complying with all the relevant regulations. We will never put in our products any substances which are harmful to the environment or human body. Our production process is in line with the relevant standards of the ISO Quality Management System, and we assess the quality of our products and services based on the relevant national and industry standards. Leveraging the advanced technologies obtained at home and abroad, we exercise rigorous quality control at at every step of our production process till the end of shipment. Taking our submarine products as an example, after the stereotype is finished, we will send it to the 705 Research Institute for special tests, such as underwater sealing and pressure test, so as to ensure that our products meet the quality and safety standards.

Meeting customer's expectation

We believe that our customers' opinions are especially important to us in improving our service quality. We strive to be professional and maintain the highest level of professionalism. Shining the Company's image is of the same significance as being compassionate and respectful to our customers, giving them as much convenience and thought as possible.

We have a professional customer service team and a perfect customer service workflow, which enables us to deliver satisfactory pre-sales, on-sales and after-sales services in all aspects. In order to obtain customer's feedback, our CS team visits the customers regularly to conduct quarterly surveys on customer satisfaction. For the questions raised by our customers, in addition to providing professional answers, we hold regular internal meetings to analyse and study their requirements, so as to continuously improve our product quality and service levels.

We also have a complete complaint handling and recovery mechanism. We have specific and clear guidelines on the division of responsibilities and handling procedures. We have assigned special personnel to be responsible for all kinds of complaints. When a complaint is filed and received by the Customer Service Department, it will be recorded immediately, and then, after professional judgment and investigation, handled according to the complaint handling process established by the Administrative Department. If the customer asks for compensation, its claim shall be processed in accordance with the relevant provisions of the "Measures for Compensation Management".

Protection of privacy and intellectual property

In order to ensure the effective protection of our customers' privacy and business sensitive information, we have formulated stringent information confidentiality regulations, e.g. the "Regulations on Confidentiality of the Group's Internal Information".

We maintain satisfactory confidentiality of our data and information in accordance with the above-mentioned requirements of the information confidentiality system, for example, we restrict the access of our employees to confidential materials and information, and strictly forbid any discussion of confidential matters through inappropriate channels such as private communications. In addition, we adopt necessary confidential measures to transfer confidential materials, classify documents according to different levels of confidentiality, and restrict the rights of the responsible persons to access and download the information, so as to prevent leakage of the confidential materials and information due to ineffective management.

In the ordinary course of business, we may come into contact with intellectual properties such as patented technologies and designs of others, however, we will never steal or copy such patented technologies or property rights. Our designers are required to ensure that their works are original and there is no plagiarism when they submit their designs; if the Company has developed the proprietary technologies or unique designs independently, we will submit the relevant application for patents and recognition of unique design to the competent authorities, so as to ensure that the intangible assets of the customers will not suffer any losses, and the Company's legitimate rights and interests are well protected.

Promotion and labelling

In order to attract customers and promote sales, we will make appropriate marketing efforts to promote our products. Such marketing and publicity activities are in line with the "Advertisement Law of the People's Republic of China", the "Provisional Measures for the Administration of Internet Advertisement" and other applicable laws and regulations of the government concerning publicity and labelling, and intended to accurately reflect the quality and effectiveness of our products, so when it comes to our products, "what you see is what you get". We strive to make our customers understand the effect of our products based on simple textual description without misleading, misrepresentation or exaggeration of the features of our products, so as to ensure that our customers have enough information to make their choices.

During the reporting period, the Group complied with all the laws and regulations concerning, among others, health and safety, advertising, labelling and privacy of our products and services, which had a significant impact on us.

6. Anti-corruption

The Group adhered to its principles of operation in integrity and actively responded to the call of the Chinese Government on fighting corruption, for which it has formulated a series of anti-corruption guidelines in accordance with the laws and regulations of the People's Republic of China, such as the Criminal Law and the Anti-money Laundering Law of the People's Republic of China, and put them into active practice.

We have established a clean and righteous corporate culture from top to bottom and has been making remarkable efforts to promote it. In addition to requiring all our directors, senior executives and staff to comply with the laws and regulations when carrying out the real business and operations in capital market, we have given the board of directors greater responsibility, who, in addition to being responsible for the operation and management of the Company, are expected to raise reasonable doubts about any possible cases in which a conflict of interests or transfer of interests may occur, and for which the management must provide reasonable explanations. All of our employees must declare their interests in accordance with such regulations. In terms of finance, our operations are completely transparent to the board of directors and supervisors, so as to prevent the occurrence of illegal acts. All the members of the management must straighten their daily operations and management with the authority granted to them by the board of directors and in accordance with our internal control system, so as to eliminate corruption of any kind.

To further enhance our corporate governance, we have set up an audit committee and engage external lawyers and auditors to provide professional advice on the Company's financial reports and other compliance issues. Apart from complying with the corporate governance requirements of the Stock Exchange for listed companies, we have been constantly reviewing the effectiveness of our internal controls and enhancing our corporate governance.

We have a well-maintained anonymous reporting mechanism to encourage our employees to report unlawful and dishonest conducts within the Company through e-mail, telephone, etc., and promise to provide the informants with adequate protection. Upon receipt of a report, investigations and internal verification will be triggered with the case immediately reported to the management and board of directors, who will then notify the government's law enforcement agencies. Meanwhile, we will conduct a review on a case-by-case basis, and propose appropriate remedial measures If any loopholes are found.

With the continuous expansion of our business, we will further improve our anti-corruption mechanism, carry on the education on fighting corruption and strengthen our cooperation with external stakeholders such as the suppliers, partners and government agencies, aiming to continuously improve our internal control.

During the reporting period, we did not spot any violations related to corruption, bribery, extortion, fraud, and money laundering, which had a significant impact on the Group.

Community

7. Community Investment

The Group is attached to the community, enthusiastic about public services and fulfilling its social responsibilities with the aim of doing the best it can to reward the community.

During the reporting period, we joined hands with the Naval Authorities and the Hebei Provincial Government to set up a chicken breeding farm in Dalan Village, Yi County, Baoding City, Hebei Province, as one of our precise poverty-alleviation efforts. We offer customized solutions according to local needs, aiming to eventually improve the average income of the villagers in this impoverished village through our accurate poverty alleviation efforts. In order to improve community employment and boost the economy in the region, the Group opts to favour local candidates when recruiting new staff, as one of its efforts to contribute to the development of local economy while benefiting from the lower labour costs in those areas.

We also encourage our employees to actively participate in other poverty alleviation campaigns. Apart from offering praises and strong support to our employees participating in such activities, we encourage them to share their experiences with others, which, we believe, will help motivate the people around them to join in the public services and poverty alleviation campaign.

The Group will continue to explore various feasible ways in the future, including organizing or participating in communities and public welfare activities organized by other organizations and government agencies, to promote the spirit of "returning to the society while taking from the society" by caring for and helping people in need and making our community a better place to live.

			2017
Environment	Electricity consumption – Production	Kw hrs	137,399
	Electricity consumption – Logistics	Kw hrs	9,000
	Water consumption – Production	'000 m3	320
	Water consumption – Logistics	'000 m3	240
	Sewage discharge	'000 m3	175
	Fuel consumption – Transportation	Litre	11,000
	Fuel consumption – Production	Litre	2,000
	Fuel consumption – Logistics	Litre	7,000
	Paper consumption	Tonne	0.01
	Other waste – Daily life garbage	Tonne	1,320
	Other waste – Packing materials	Tonne	340

			2017
Employees	Total number of employees	Persons	54
	By gender	Persons	
	– Male		30
	– Female		24
	By type	Persons	
	– Administrative staff (male)		8
	– Administrative staff (female)		3
	– Other (male)		22
	– Other (female)		21
	By age	Persons	
	– Below 30		7
	– 30-39		35
	– 40-49		9
	– Over 50		3
	By region	Persons	
	– HK		5
	– Mainland China		49
	By average service time	Years	
	– Administrative staff (male)		7.2
	– Administrative staff (female)		7.8
	– Other (male)		6.5
	– Other (female)		6.7
	New employee	Persons	
	– Male		4
	– Female		0
	Employee loss	Persons	
	– Male		7
	– Female		3

			2017
Training	Total number of hours in training	Hrs	488
	By gender	Hrs	
	– Male		264
	– Female		224
	By position	Hrs	
	– Administrative staff (male)		64
	– Administrative staff (female)		64
	– Other (male)		200
	– Other (female)		160
Supply Chain	Total number of suppliers	Number	
	– Mainland China		22
	– Canada		1
	– Germany		1

THE STOCK EXCHANGE OF HONG KONG LIMITED'S ESG REPORTING GUIDE CONTENT INDEX

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A2 Use of Resources		
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A3 The Environment and Natural Resources		
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B1.2		
Key performance indicators	Employee turnover rate by gender and age group	Data Overview
B2 Health and Safety		
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B2.2		
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B3 Development and Training		
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B6 Product Responsibility		
General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
B7 Anti-corruption		
General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Community		
B8 Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Chen Ji（陳繼先生）, aged 42, obtained Bachelor of Economics from Shanghai University of Finance and Economics*（上海財經大學）in 1997, Bachelor of Laws from East China University of Political Science and Law*（華東政法學院）in 2005, Master of Business Administration from Shanghai University of Finance and Economics in 2008 and Master of Laws from Fudan University*（復旦大學）in 2009. Mr. Chen has extensive experience in finance, internal control and management. Mr. Chen worked for Air China Limited Shanghai Branch Office*（中國國際航空股份有限公司上海基地）as office supervisor from July 1997 to August 2001. Mr. Chen served as senior manager and partner of finance department of Xinzhuo (China) Consulting Co., Ltd.*（信卓（中國）諮詢有限公司金融部）from December 2003 to January 2006. He joined Shanghai Hui Da Feng Law Firm*（上海市滙達豐律師事務所）as paralegal since February 2006 and became lawyer and partner, and was the founder partner of Shanghai Heng Lu Lawyers Alliance (Group) Firm*（上海恒律聯盟律師（集團）事務所）since October 2010. Mr. Chen was vice-chairman of Shanghai Zhongji Investment Holding Co., Ltd.*（上海中技投資控股股份有限公司）, a company listed on the Shanghai Stock Exchange, for the period from November 2012 to November 2014. Mr. Chen was appointed as director and elected as chairman and chief executive officer of Zhejiang Xinlian Co., Ltd.*（浙江信聯股份有限公司）on 2 March 2015 and 3 March 2015 respectively. Mr. Chen became a director of Cloud Live Technology Group Co., Ltd.*（中科雲網科技集團股份有限公司）, a company listed in the Shenzhen Stock Exchange, on 10 November 2016, served as vice chairman on 30 June 2017, and resigned from all positions on 3 March 2018. Mr. Chen was an independent non-executive Director from 10 August 2012 to 13 April 2015, was appointed as an executive Director with effective from 13 April 2015, and became chairman of the Board since 29 June 2016.

Mr. Xiao Bing（肖兵先生）, aged 52, is a son of Professor Xiao Liangyong, the founder of the Company. Mr. Xiao studied in radio technology under continuous education program of Xidian University*（西安電子科技大學）from 1987 to 1990 and obtained Master of business administration from China Europe International Business School in 2006. He worked in Xi'an General Factory of Oil Instruments*（西安石油勘探儀器總廠）from 1988 to 1991 and was the deputy general manager of Xi'an Haitian Communications Equipment Company Limited*（西安海天通訊設備有限公司）from 1999 to 2000. He joined the Group as personal assistant to chairman of the Board since 1999, and was elected as executive Director of the Company and appointed as general manager of the Company since October 2000. Mr. Xiao Bing was the chairman of the Board from August 2004 to November 2007 and from 31 December 2012 to 28 June 2016, and was elected as a vice chairman of the Board since 29 June 2016.

Non-Executive Directors

Mr. Sun Wenguo（孫文國先生）, aged 42, graduated from the Department of International Finance of Xi'an Financial and Economic Institute*（陝西財經學院）in 1998 with a bachelor degree. Mr. Sun previously worked in international section of Industrial and Commercial Bank of China, Dalian Branch*（中國工商銀行大連分行）and Xi'an Gaoxin Hospital Co., Ltd.*（西安高新醫院有限公司）. Currently, he holds the office of director and vice president of Xi'an International Medical Investment Co., Ltd.*（西安國際醫學投資股份有限公司）which is a promoter and a shareholder of the Company. Mr. Sun was appointed as a non-executive Director and was elected as the vice chairman of the Board since 13 October 2006.

Mr. Li Wenqi（李文琦先生）, aged 52, graduated from Shaanxi College of Finance and Economics*（陝西財經學院, now known as Xi'an Jiaotong University*（西安交通大學））. He worked for Shaanxi Silk Import & Export Corporation*（陝西省絲綢進出口公司）, which is one of the promoters of the Company, as the deputy chief of planning and finance department from October 1987 to April 1994, the manager of planning and finance department from April 1994 to October 1997, the assistant to general manager and the manager of planning and finance department from October 1997 to May 2001. He served as the chief accountant and the manager of planning and finance department of Shaanxi Kaisei Group Co., Ltd.*（陝西開成集團有限責任公司）since May 2001, and general manager of Shaanxi Kaisei Group Co., Ltd. since September 2015. Mr. Li joined the Company as a non-executive Director since October 2000.

Mr. Zuo Hong（左宏先生）, aged 54, graduated from Xidian University*（西安電子科技大學）and obtained the qualification of Senior Engineer in 2005. He had been the instructor of Armed Police Force of Xi'an. He took the position of supervisor and chief technical director of engineering and technology department in Xi'an Huiliaing Electronic Technologies Co., Ltd.*（西安慧良電子科技有限公司）in 1995 and 1997 respectively. Since September 1999, he had been the chairman and general manager of Xi'an Tianditong Communication Development Co., Ltd.*（西安天地通通信發展有限公司）. Mr. Zuo was appointed as the general manager of Xi'an Haitian Communication System Engineering Co., Ltd.*（西安海天通信系統工程有限公司）, a subsidiary of the Company, in July 2006 and as assistant to the chief executive director of Xi'an Hi-tech Communication Software Co., Ltd.*（西安海泰科通訊軟件有限公司）, a subsidiary of the Company, in December 2006. He served as the head of the sales and marketing department of the Company since 2007, was general manager of the Company from 31 December 2012 to 13 July 2016, and became vice general manager of the Company since 13 July 2016. Mr. Zuo was an executive Director for the period from 20 May 2007 to 8 April 2014, and was appointed as non-executive Director since 29 June 2016.

Ms. Huang Jing（黃婧女士）, aged 33, obtained Bachelor of Laws from Zhejiang Sci-Tech University*（浙江理工大學）in 2006. Ms. Huang worked for Shanghai Florin Investment Management Co., Ltd.*（上海豐瑞投資集團有限公司）as senior manager of legal department from December 2006 to March 2008. Since March 2008, she joined Shanghai Hui Da Feng Law Firm*（上海市匯達豐律師事務所）as paralegal and trainee solicitor and became lawyer and partner. Ms. Huang was securities affairs representative of Shanghai Zhongji Investment Holding Co., Ltd.*（上海中技投資控股股份有限公司）, a company listed on The Shanghai Stock Exchange, from May 2011 to January 2014. Ms. Huang was appointed as director of Zhejiang Xinlian Co., Ltd.*（浙江信聯股份有限公司）on 2 March 2015. Ms. Huang became a director of Cloud Live Technology Group Co., Ltd.*（中科雲網科技集團股份有限公司）, a company listed in the Shenzhen Stock Exchange, on 10 November 2016, and resigned on 3 March 2018. Ms. Huang was an independent Supervisor from 28 June 2013 to 13 February 2015, was an independent non-executive Director from 13 February 2015 to 28 June 2016, and was appointed as non-executive Director with effective from 29 June 2016.

Mr. Yan Weimin（燕衛民先生）, aged 50, graduated from Central South University*（中南大學）in 1989 majoring in automation and obtained Executive Master of Business Administration of United Business Institutes in Belgium in 2009. He has 20 years experience in the trading of mineral products. During 1989 and 1997, Mr. Yan served in China Metallurgical Import & Export Company*（中國煉金進出口公司, currently known as Sinosteel Corporation*（中國中鋼集團公司））, mainly responsible for the trading of iron and manganese ore between the steel sector of China and companies in Australia. During 1997 and 2007, Mr. Yan served in Shanghai Aijian Holding Co., Ltd.*（上海愛建股份有限公司）, in charge of the trading of mineral products and also involved in oil for food deal between United Nation and Iraq. Since 2007, Mr. Yan served as different posts, including the general manager of Shanghai Guohong Trading Co. Ltd.*（上海國弘貿易有限公司）and the chairman of Shanghai Yingyue Industrial Co. Ltd.*（上海鷹悦實業有限公司）. In additions, he was appointed as a non-executive director of Honbridge Holdings Ltd.*（洪橋集團有限公司）, a company listed on the Stock Exchange, from 2010 and was responsible for the communication with China's steel conglomerates, mining corporations, port and mining construction enterprises. Mr. Yan was an executive Director for the period from 8 April 2014 to 13 February 2015, and was appointed as non-executive Director since 29 June 2016.

Independent Non-Executive Directors

Mr. Zhang Jun（張鈞先生）, aged 49, worked for Northwest Electrical Authority*（西北電業管理局）after graduation from Nanjing University of Science and Technology*（南京理工大學）in 1990. In 1993, he served as regional sales director and Beijing chief representative of United States Harris Communications Equipment (Shenzhen) Co., Ltd.*（美國哈里斯（深圳）通信設備股份有限公司）. In 2000, Mr. Zhang joined Beijing Dijie Communication Equipment Co., Ltd.*（北京地傑通信設備有限公司）as marketing director, general manager of overseas operations and vice president. Since 2011, Mr. Zhang was managing director of Shenzhen Arrow Advanced Technology Co., Ltd.*（深圳愛勞高科技有限公司）. Mr. Zhang joined the Company as an independent non-executive Director since 28 June 2013.

Professor Shi Ping（師萍教授）, aged 68, holds a doctoral degree and Chinese Certified Public Accountant qualification. Professor Shi served as a professor and doctoral tutor of School of Economics and Management at Northwestern University*（西北大學）since November 1985. The main social positions of Professor Shi included assessor of National Natural Science Foundation of China*（國家自然科學基金）, executive director of Accounting Society of Shaanxi Province*（陝西會計學會）, vice president of Shaanxi Cost Accounting Researching Association*（陝西成本研究會）, advisor of Xi'an Accounting Society*（西安市會計學會）, member of Shaanxi Province Senior Accountant (Including Senior Accountant) Assessment Committee*（陝西省高級會計師（含正高級會計師）評委會）, member of Shaanxi Province Senior Auditor Assessment Committee*（陝西省高級審計師評委會）, member of Shaanxi Province Senior Economist Assessment Committee*（陝西省高級經濟師評委會）, independent director of Xi'an International Medical Investment Co., Ltd.*（西安國際醫學投資股份有限公司）. Professor Shi was an independent Supervisor from 11 October 2002 to 28 June 2013, and was appointed as an independent non-executive Director with effect from 13 April 2015.

Mr. Tu Jijun（涂繼軍先生）, aged 51, graduated as Bachelor of Engineering from Xidian University*（西安電子科技大學）in July 1986. Since November 1986, Mr. Tu worked at information technology department of Shaanxi Branch of Bank of China*（中國銀行陝西省分行）. Mr. Tu was appointed as an independent non-executive Director with effect from 21 August 2015.

Dr. Lam Lee G.（林家禮博士）, aged 58, holds Bachelor Degree in Sciences and Mathematics, Master Degrees in Systems Science and Business Administration from the University of Ottawa in Canada, Post-graduate Diploma in Public Administration from Carleton University in Canada, Post-graduate Diploma in English and Hong Kong Law and Honour Degree in Law from Manchester Metropolitan University in the UK, Master Degree in Law from the University of Wolverhampton in the United Kingdom, Post-graduate Certificate in Law from The City University of Hong Kong, Certificate in Professional Accountancy from the School of Continuing and Professional Studies of The Chinese University of Hong Kong, Master Degree in Public Administration and Doctoral Degree in Philosophy from The University of Hong Kong.

Dr. Lam is a Solicitor of the High Court of Hong Kong (Former Barrister), an Honorary Fellow of Australian Institute of Certified Public Accountants, a Fellow of Australian Institute of Management Accountants, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Directors, a Visiting Professor of Tsinghua University, and an Adjunct Professor of Department of Management of The Chinese University of Hong Kong, School of Business of Hong Kong Baptist University and Hong Kong Hang Seng Management College.

Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, and Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser of Macquarie Infrastructure and Real Assets Asia. He is a Member of the Committee on Innovation, Technology and Re-Industrialisation of The Government of the Hong Kong Special Administrative Region, the Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a Board member of Pacific Basin Economic Council (PBEC), a member of Belt and Road Committee of the Hong Kong Trade Development Council, a member of Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman – Asia Pacific of Australian Institute of Management Accountants, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a Board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding Board member and Honorary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong-Korea Business Council, and a member of the Hong Kong-Thailand Business Council.

Dr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology, consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors.

Dr. Lam previously held a number of posts including General Manager of Hong Kong Telecom, a member of the Senior Management of CP Group in Thailand and Chairman/Director/Chief Executive Officer of several companies affiliated to the group, Managing Director of BOC International and Vice Chairman and COO of Investment Banking Division of BOC International, Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings, a sovereign fund of Singapore), and Chairman – Hong Kong/Vietnam/Cambodia/Laos/Myanmar/Thailand and Senior Adviser – Asia of Macquarie Capital.

Dr. Lam earlier served as a part-time member of Central Policy Unit of The Government of Hong Kong Special Administrative Region, and a Member of the Task Force on Industry Facilitation under the Digital 21 Strategy Advisory Committee, the Assessment Panel of the Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund, the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited, the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, the New Business Committee of the Hong Kong Financial Services Development Council and the Legal Aid Services Council.

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Mei Ah Entertainment Group Limited (Stock Code: 391), Vongroup Limited (Stock Code: 318), Glorious Sun Enterprises Limited (Stock Code: 393) and Haitong Securities Company Limited (Stock Code: 6837 and it is also listed on the Shanghai Stock Exchange with Stock Code: 600837), Elife Holdings Limited (Stock Code: 223), Hua Long Jin Kong Company Limited (Stock Code: 1682), Huarong Investment Stock Corporation Limited (Stock Code: 2277) and Kidsland International Holdings Limited (Stock Code: 2122) and a Non-Executive Director of each of China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931) and National Arts Entertainment and Culture Group Limited (Stock Code: 8228), the shares of all of which are listed on the Stock Exchange. He is an independent non-executive director of each of Asia-Pacific Strategic Investments Limited (Stock Code: 5RA), Rowsley Limited (Stock Code: A50) and Top Global Limited (Stock Code: 519), and Non-Executive Director of Singapore e-Development Limited (Stock Code: 40V), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is also an Independent Director of Sunwah International Limited (Stock Code: SWH) whose shares are listed on the Toronto Stock Exchange; an Independent Non-Executive Director of Vietnam Equity Holding (Stock Code: 3MS), the shares of which are listed on the Stuttgart Stock Exchange; an Independent Non-Executive Director of AustChina Holdings Limited (Stock Code: AUH), the shares of which are listed on the Australian Securities Exchange; and Non-Executive Director of Adamas Finance Asia Limited (Stock Code: ADAM), the shares of which are listed on the London Securities Exchange.

Dr. Lam was a Non-Executive Director of ZH International Holdings Limited (Stock Code: 185), DTXS Silk Road Investment Holdings Company Limited (Stock Code: 620) and Roma Group Limited (Stock Code: 8072), and he was also an Independent Non-Executive Director of Ruifeng Petroleum Chemical Holdings Limited (Stock Code: 8096), Mingyuan Medicare Development Company Limited (Stock Code: 233) and Imagi International Holdings Limited (Stock Code: 585), the shares of all of which are listed on the Stock Exchange.

Dr. Lam was appointed as an independent non-executive Director with effective from 15 September 2017.

SUPERVISORS

Mr. Wang Xiaokun（王曉坤先生）, aged 48, graduated from Nanjing University*（南京大學）in 1991 with a bachelor degree majoring in water resources and environmental. Mr. Wang worked as engineer at Shaanxi Provincial Environmental Protection Research Institute*（陝西省環境保護研究所）from 1991 to 1994 and served as deputy general manager in Xi'an Tiancheng Medical Bio-Engineering Co., Ltd.*（西安天誠醫藥生物工程有限公司）from 1994 to 1998. Since 1998, Mr. Wang was appointed as chairman of Xi'an Dadi Phyto Tech Co., Ltd.*（西安大地植化技術有限公司）. Mr. Wang was appointed as an independent Supervisor with effect from 30 June 2015.

Mr. Zhang Yi（張毅先生）, aged 48, graduated from Accounting Department of Shaanxi Advanced Finance College*（陝西高等財政專科學校）with a Bachelor of Accounting in July 1992, and obtained accountant qualification (intermediate title) in November 1998. Mr. Zhang worked at finance department of Xi'an Tang Cheng Group Co., Ltd.*（西安唐城集團股份有限公司）from August 1992 to January 1996, engaged in supervising work at finance department of Xi'an Kaiyuan Shopping Mall*（西安開元商城購物中心）from January 1996 to January 2003, and worked at finance department and served as head of consolidation team of the Company from January 2003 to March 2010. Since March 2010, Mr. Zhang joined finance department of Xi'an Feilong Household Co., Ltd.*（西安飛龍家居有限公司）. Mr. Zhang was appointed as an independent Supervisor with effect from 21 August 2015.

Mr. Yan Feng（閆鋒先生）, aged 44, obtained Master of Economics from Nankai University*（南開大學）in 1998. Mr. Yan Feng worked for Beijing Municipal Public Bureau Education Center*（北京市公用局教育中心）from July 1998 to February 2000. Mr. Yan served as supervisor of business management department, deputy manager of business management department and supervisor of marketing services department of Beijing Gas Group Co., Ltd.*（北京市燃氣集團有限責任公司）from February 2000 to January 2005. He joined Beijing Enterprises Group Company Limited*（北京控股集團有限公司）as senior manager of strategic development department since January 2005 and became deputy manager until June 2010. From June 2010, Mr. Yan assumed manager of investment and development department of Beijing Holdings Investment Management Co., Ltd.*（北京京泰投資管理中心）which is a promoter and shareholder of the Company. Mr. Yan joined the Company as a non-executive Director from 9 November 2012 to 28 June 2016 and was appointed as a shareholder representative Supervisor since 29 June 2016.

Mr. Li Tianzuo（李天佐先生）, aged 45, graduated from Electronic Engineering Department of Southeast University*（東南大學）at Nanjing in Jiangsu province with a bachelor degree in July 1995. Mr. Li worked at research and development department of State-owned Xi'an Datang Telecom Company*（西安大唐電信公司）from 1995 to 2000 and engaged in early stage of research and design of program control exchange for the State. He served as product manager of Shanghai Jinglun Communication Co., Ltd.*（上海精倫通信有限公司）from May 2000 to October 2002 and engaged in design and development of new generation of soft-switching communication products. Since November 2002, Mr. Li joined the development department of the Company to organise research, development, design and production for full-band wireless communication products, communication base station and long term evolution (LTE) equipment system and became the head of development department of the Company. He was elected as a supervisor representing staff and workers of the supervisory committee of the Company since 29 June 2016.

Mr. Shen Hongxiu（沈洪秀先生）, aged 51, graduated from Accountancy Department of Shanghai University of Finance and Economics*（上海財經大學）in June 1989 and obtained Master of Professional Accountancy from Shanghai University of Finance and Economics in 2001. Mr. Shen served as financial controller from July 2010 to October 2013 and general manager from October 2013 to January 2014 for Shanghai Zhongji Investment Holding Co., Ltd.*（上海中技投資控股股份有限公司）. Mr. Shen was financial controller of the Company from May 2014 to February 2015 and served as general manager of 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 of the Company, since May 2014. He was elected as a supervisor representing staff and workers of the supervisory committee of the Company since 29 June 2016.

SENIOR MANAGEMENT

Mr. Wang Yun（王贇先生）, aged 37, graduated from School of Economics and Management of Northwest University*（西北大學）majoring in investment and economics in 2002, and obtained a minor diploma from Northwest University* in e-commerce in the same year. In 2009, he obtained a master's degree in engineering in project management from Northwestern Polytechnical University*（西北工業大學）. Since joining the Group in September 2002, he served in the securities department, finance department and administration department as project manager as well as deputy head and head of the administration department. Since 2011, he served as secretary to the Board.

Mr. Xu Hao（徐浩先生）, aged 46, graduated from Shaanxi Financial Technological College*（陝西財政專科學校）with a major in finance in July 1994 and obtained accountant qualification. Mr. Xu worked in the finance division of Xi'an State-owned Tractor Factory*（國營西安拖拉機製造廠）from 1994 to 2000, served as finance controller of Xi'an Tianhao Plastic Steel Product Limited Liability Company*（西安添好塑鋼製品有限責任公司）from January 2001 to September 2003, and served as project manager of Xi'an Pengguang Tax Agent & Bureau Co., Ltd.*（西安鵬光税務師税務所有限責任公司）from October 2003 to February 2005. Mr. Xu worked in the finance department of the Company since March 2005 and is now financial controller of the Company. Mr. Xu was a staff Supervisor from 18 April 2008 to 17 April 2014 and from 11 September 2015 to 28 June 2016.

Mr. Wu Aiqing（吳愛清先生）, aged 37, graduated as accounting profession from Zhongnan University of Economics and Law*（中南財經政法大學）. Mr. Wu served as staff member and head of finance department at First Tractor Company Limited*（第一拖拉機股份有限公司）and YTO Group Corporation*（中國一拖集團有限公司）from July 2004 to December 2007, served as the investment director of Shanghai Xinzhuo Investment Consulting Co., Ltd.*（上海信卓投資諮詢有限公司）from January 2008 to March 2009, served as vice president of investment department of a wholly-owned subsidiary of Zhuhai HuafaGroup Limited*（珠海華發集團有限公司）from March 2009 to July 2011, and served as deputy general manager and chief financial officer at a Zhuhai Yide Petrochemical Co., Ltd.*（珠海市一德石化有限公司）from August 2011 to May 2014. Since June 2014, Mr. Wu joined 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 of the Company, as head of finance department. He was appointed as a vice general manager of the Company since 29 June 2016 and became general manager of the Company from 9 September 2017.

COMPANY SECRETARY

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

Report of the Supervisory Committee

To all shareholders,

During the year ended 31 December 2017, the supervisory committee of the Company (the "Supervisory Committee") thoroughly performed its duties faithfully in accordance with the provisions of the Company Laws of the PRC, GEM Listing Rules and the articles of association (the "Articles") of the Company. Adhering to the principles of safeguarding interests of all shareholders and benefits of the staff of the Company, the Supervisors attended Board meetings, acquiring first-hand information of the Board's decision on marking important issues and effectively monitoring the Board and senior management of the Company in performing their duties, and providing reasonable recommendation and advice on the operations and development plans of the Company.

The Supervisory Committee considers that:

1. The Company's operation for the year 2017 complied with the relevant laws and regulations of the state and local governments of the PRC and the Articles;

2. The Directors and managers of the Company performed their duties in strict compliance of the relevant rules and regulations for the development of the Company. They carried out their work diligently without violating any laws and regulations or the Articles and had not conducted any activities which were against the interests of the Company;

3. The connected transactions of the Company, which have fully complied with the relevant provisions of the GEM Listing Rules, were fair and reasonable. We have not discovered any act that prejudiced the interests of the Company;

4. The Supervisory Committee's role in monitoring the management was strengthened by attending Board meetings, participating in the decision-making process of the management and reviewing regularly the Company's financial statements and accounts. The Supervisors believe that the financial management of the Company was performed in strict accordance with the relevant accounting principles, that the financial statements and accounts were prepared timely and properly and that no improper disclosures were identified; and

5. The Supervisory Committee has verified the financial information such as the financial and performance reports and was satisfied with the report of the Board, the audited financial statements to be submitted to the forthcoming annual general meeting by the Board of Directors. We are of the opinion that the audited financial statements for the year ended 31 December 2017 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

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

On behalf of the Supervisory Committee

Shen Hongxiu
Chairman

Xi'an, the PRC
23 March 2018

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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, agricultural and forestry used unmanned aerial vehicles, provisions of consultancy service and sales of agricultural products.

The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

BUSINESS REVIEW

Business review of the Group is set out in the paragraph headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2017.

DISTRIBUTABLE RESERVES

In accordance with the Articles of the Company, the reserve available for distribution is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the principles generally accepted in Hong Kong. Based on the financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC, the Company does not have any reserves available for distribution to its equity holders as at 31 December 2017.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2017 is set out on page 118 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB1.75 million on plant and equipment and approximately RMB4.65 million on construction of properties to expand and upgrade its production capacity.

Details of these and other movements during the year in the plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 58 of this annual report and note 41(iii) to the consolidated financial statements respectively.

DIRECTORS AND SUPERVISORS

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

Executive Directors:
Mr. Chen Ji *(chairman)*
Mr. Xiao Bing *(vice-chairman)*

Non-Executive Directors:
Mr. Sun Wenguo *(vice-chairman)*
Mr. Li Wenqi
Mr. Zuo Hong
Ms. Huang Jing
Mr. Yan Weimin

Independent Non-Executive directors:
Mr. Zhang Jun
Professor Shi Ping
Mr. Tu Jijun
Dr. Lam Lee G. (appointed on 15 September 2017)
Mr. Liao Kang (resigned on 20 August 2017)

Supervisors:
Mr. Wang Xiaokun
Mr. Zhang Yi
Mr. Yan Feng
Mr. Li Tianzuo
Mr. Shen Hongxiu

1. **Directors' and Supervisors' Service Contracts**

   Each of the Directors and the Supervisors has entered into a service contract with the Company for a term valid until 28 June 2019 subject to renewal upon approval by shareholders of the Company for one or more consecutive terms of three years.

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

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

2. **Independent non-executive Directors**

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

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

As at 31 December 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	Approximate % in enlarged issued Domestic Shares *(Note 4)*	Approximate % in enlarged issued Shares *(Note 4)*
Mr. Xiao Bing (肖兵先生)	Beneficial owner and interest in controlled corporation	393,363,637 *(Note 1)*	44.43%	25.69%	36.24%	22.72%
Mr. Chen Ji (陳繼先生)	Spouse interest	254,844,804 *(Note 2)*	28.78%	16.65%	23.48%	14.72%
Mr. Zuo Hong (左宏先生)	Interest in controlled corporation	75,064,706 *(Note 3)*	8.48%	4.90%	6.92%	4.34%

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	Approximate % in enlarged issued Shares *(Note 4)*
Mr. Xiao Bing (肖兵先生)	Beneficial owner	10,000,000	1.55%	0.65%	0.58%
Mr. Chen Ji (陳繼先生)	Beneficial owner	9,500,000	1.47%	0.62%	0.55%

Notes:

1. 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（肖兵先生）and 40% by his mother Ms. Yao Wenli（姚文俐女士）. By virtue of the SFO, Mr. Xiao Bing is deemed to be interested in the same 328,363,637 Domestic Shares. 65,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Mr. Xiao Bing.

2. 189,844,804 Domestic Shares are held by and 65,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to 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（陳繼先生）in equal share. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 254,844,804 Domestic Shares.

3. 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（左宏先生）and Ms. Yi Li（易麗女士）in equal share. By virtue of the SFO, Mr. Zuo Hong is deemed to be interested in the same 75,064,706 Domestic Shares.

4. The issued Shares are to be enlarged by the issue and allotment of 200,000,000 Domestic Shares under specific mandate (more particularly described in the circular of the Company dated 2 February 2018). The specific mandate was approved by the extraordinary general meeting on 19 March 2018 and is subject to the approval of the Department of Commerce of Shaanxi Province*（陝西省商務廳）and the Stock Exchange.

Saved as disclosed above, as at 31 December 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 31 December 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 % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Domestic Shares *(Note 13)*	Approximate % in enlarged issued Shares *(Note 13)*
Professor Xiao Liangyong (肖良勇教授)	Parties acting in concert	393,363,637 *(Note 1)*	44.43%	25.69%	36.24%	22.72%
Tian An Investment	Beneficial owner	328,363,637 *(Note 1)*	37.09%	21.45%	30.25%	18.97%
Ms. Yao Wenli (姚文俐女士)	Interest in controlled corporation	328,363,637 *(Note 1)*	37.09%	21.45%	30.25%	18.97%
Gaoxiang Investment	Beneficial owner	254,844,804 *(Note 2)*	28.78%	16.65%	23.48%	14.72%
Ms. Sun Xiangjun (孫湘君女士)	Interest in controlled corporation	254,844,804 *(Note 2)*	28.78%	16.65%	23.48%	14.72%
Ms. Gao Xuejuan (高雪娟女士)	Interest in controlled corporation	254,844,804 *(Note 2)*	28.78%	16.65%	23.48%	14.72%
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%	9.21%	5.78%
Shenzhen Huitai	Beneficial owner	75,064,706 *(Note 3)*	8.48%	4.90%	6.92%	4.34%
Ms. Yi Li (易麗女士)	Interest in controlled corporation	75,064,706 *(Note 3)*	8.48%	4.90%	6.92%	4.34%
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%	6.45%	4.04%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 *(Note 4)*	7.91%	4.57%	6.45%	4.04%

Name of shareholder	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Domestic Shares *(Note 13)*	Approximate % in enlarged issued Shares *(Note 13)*
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%	4.98%	3.12%
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%	4.98%	3.12%
Ms. Jin Rongfei (金嶸霏女士)	Beneficial owner	50,000,000 *(Note 6)*	5.65%	3.27%	4.61%	2.89%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	2.26%	1.31%	1.84%	1.16%
Mr. Zhang Jiandong (張建東先生)	Beneficial owner	20,000,000 *(Note 7)*	2.26%	1.31%	1.84%	1.16%
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%	1.71%	1.07%
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%	1.71%	1.07%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	1.24%	0.71%	1.01%	0.63%

Long positions in H Shares

Name of shareholder	Capacity	Number of H Shares *(Note 8)*	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 13)*
Huang Li Hou (黃李厚)	Beneficial owner	85,100,000	13.18%	5.56%	4.92%
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	73,552,000 *(Note 9)*	11.39%	4.80%	4.25%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Interest in controlled corporation	73,552,000 *(Note 9)*	11.39%	4.80%	4.25%
Zeal Warrior Investments Limited	Interest in controlled corporation	73,552,000 *(Note 9)*	11.39%	4.80%	4.25%
Ms. Chen Wei (陳瑋女士)	Interest in controlled corporation	73,552,000 *(Note 9)*	11.39%	4.80%	4.25%
Ms. Zhou Jin	Beneficial owner	83,224,000 *(Note 10)*	12.89%	5.44%	4.81%
Auspicious Zone Investments Limited (彩域投資有限公司)	Beneficial owner	51,592,000 *(Note 11)*	7.99%	3.37%	2.98%
Sure Rosy Global Investments Limited (順盛環球投資有限公司)	Interest in controlled corporation	51,592,000 *(Note 11)*	7.99%	3.37%	2.98%
Mr. Wang Mingyue (王明月先生)	Interest in controlled corporation	51,592,000 *(Note 11)*	7.99%	3.37%	2.98%
Clear Renown Global Limited (朗譽環球有限公司)	Beneficial owner	42,000,000 *(Note 12)*	6.50%	2.74%	2.43%
Creative Eagle Holdings Limited (創鷹控股有限公司)	Interest in controlled corporation	42,000,000 *(Note 12)*	6.50%	2.74%	2.43%
Huang Wei Wen (黃偉汶)	Interest in controlled corporation	42,000,000 *(Note 12)*	6.50%	2.74%	2.43%

Notes:

1. 328,363,637 Domestic Shares are held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing (肖兵先生) and 40% by his mother Ms. Yao Wenli (姚文俐女士). By virtue of the SFO, Ms. Yao Wenli is deemed to be interested in the same 328,363,637 Domestic Shares. 65,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Mr. Xiao Bing. Professor Xiao Liangyong (肖良勇教授) is the father of and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, Professor Xiao Liangyong deemed to be interested in the same 393,363,637 Domestic Shares.

2. 189,844,804 Domestic Shares are held by and 65,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Gaoxiang Investment, which is beneficially owned by Ms. Sun Xiangjun（孫湘君女士）and Ms. Gao Xuejuan（高雪娟女士）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 254,844,804 Domestic Shares.

3. 75,064,706 Domestic Shares are held by Shenzhen Huitai, which is beneficially owned by Mr. Zuo Hong（左宏先生）and Ms. Yi Li（易麗女士）in equal share. By virtue of the SFO, Ms. Yi Li is deemed to be interested in the same 75,064,706 Domestic Shares.

4. 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（王贇先生）. 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. 50,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Ms. Jin Rongfei（金嶸霏女士）.

7. 20,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Mr. Zhang Jiandong（張建東先生）.

8. Details of these shareholders of the Company are based on information as set out in the website of the Stock Exchange and notified by the Disclosure of Interests Online System of the Stock Exchange.

9. 73,552,000 H Shares are held by Hongkong Jinsheng Enterprise Co., Limited（香港錦昇企業有限公司）, which is beneficially owned by Oceanic Bliss Holdings Limited（海祥控股有限公司）("Oceanic Bliss"), and Oceanic Bliss is beneficially owned by Zeal Warrior Investments Limited ("Zeal Warrior"). Ms. Chen Wei（陳瑋女士）is beneficial owner of Zeal Warrior. By virtue of the SFO, each of Oceanic Bliss, Zeal Warrior and Ms. Chen Wei is deemed to be interested in the same 73,552,000 H Shares.

10. Ms. Zhou Jin is a director of Xaht Antenna Technologies (Hongkong) Limited（海天天綫（香港）有限公司）, a wholly-owned subsidiary of the Group.

11. 51,592,000 H Shares are held by Auspicious Zone Investments Limited（彩域投資有限公司）, which is beneficially owned by Sure Rosy Global Investments Limited（順盛環球投資有限公司）("Sure Rosy"). Mr. Wang Mingyue（王明月先生）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 51,592,000 H Shares.

12. 42,000,000 H Shares are held by Clear Renown Global Limited（朗譽環球有限公司）, which is beneficially owned by Creative Eagle Holdings Limited（創鷹控股有限公司）("Creative Eagle"). Huang Wei Wen（黃偉汶）is beneficial owner of Creative Eagle. By virtue of the SFO, each of Creative Eagle and Huang Wei Wen is deemed to be interested in the same 42,000,000 H Shares.

13. The issued Shares are to be enlarged by the issue and allotment of 200,000,000 Domestic Shares under specific mandate (more particularly described in the circular of the Company dated 2 February 2018). The specific mandate was approved by the extraordinary general meeting on 19 March 2018 and is subject to the approval of the Department of Commerce of Shaanxi Province*（陝西省商務廳）and the Stock Exchange.

Saved as disclosed above, as at 31 December 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 31 December 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.

ARRANGEMENTS TO PURCHASE SHARES

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

CONNECTED TRANSACTIONS

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions", no contract of significance, to which the Company or its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

COMPETING INTERESTS

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

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

CONTINGENT LIABILITIES

Except as these disclosed in note 40 to the consolidated financial statements, the Group did not have any material contingent liability as at 31 December 2017.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 11 to 17 of the annual report.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

At least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2017 and as at the date of this report.

PERMITTED INDEMNITY PROVISIONS

Appropriate insurance cover on Directors' and officers' liabilities has been provided by the Company to cover potential legal actions from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties.

CHANGE OF COMPANY NAME

The Chinese name of the Company was changed from "西安海天天綫控股股份有限公司" to "西安海天天實業股份有限公司" and the English name "Xi'an Haitiantian Holdings Co., Ltd." was adopted for identification purpose on 31 October 2017.

AUDITOR

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

On behalf of the Board

Chen Ji
Chairman

Xi'an, the PRC
23 March 2018

信永中和
ShineWing

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF XI'AN HAITIANTIAN HOLDINGS CO., LTD.
西安海天天實業股份有限公司
(FORMERLY KNOWN AS XI'AN HAITIAN ANTENNA HOLDINGS CO., LTD.)
（前稱為西安海天天綫控股股份有限公司）
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Xi'an Hiaitiantian Holdings Co., Ltd. (formerly known as Xi'an Haitian Antenna Holdings Co., Ltd.) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 117, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment on intangible assets

Refer to note 17 to the consolidated financial statements and the accounting policy on pages 72 to 73.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the carrying amount of the intangible assets were RMB6,763,999, which represents the self-developed prototype of the unmanned aerial vehicles. In view of the recurring loss in respect of the sales of unmanned aerial vehicles during the year ended 31 December 2017, the management had performed an impairment review by estimating the recoverable amount of the cash-generating unit (the "CGU") in which the intangible assets belonged to. For the purpose of impairment testing, the recoverable amount of the CGU was determined based on value-in-use calculation using profit forecast and cash flow projection, which was prepared by the management. On the basis, the management concluded that no impairment loss has been recognised for the year ended 31 December 2017. We have identified the impairment assessment on intangible assets as a key audit matter because of the involvement of a significant degree of judgements and estimates made by the management in preparing the profit forecast and cash flow projection for the value-in-use calculation.	Our procedures were designed to review the management's assessment on the indication of possible impairment and the reasonableness of judgements and estimations used by the management to estimate the recoverable amount of the CGU. We have discussed the indication of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We have assessed management's identification of the CGU based on the Group's accounting policies and our understanding of the Group's business. We have also assessed the underlying data and assumptions used by the management in the value-in-use calculation and compared the profit forecast and cash flow projection with the actual results available up to the report date. We have also challenged the appropriateness of the assumptions, judgements and estimations used in the profit forecast and cash flow projection.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment on deposit paid for acquisition of leasehold land and buildings

Refer to note 18 to the consolidated financial statements and the accounting policy on pages 74 to 75.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the Group had carrying amount of deposit paid for acquisition of leasehold land and buildings of RMB18,546,000. In view of the delay in the transfer of land ownership during the year ended 31 December 2017, the management had performed impairment testing on the deposit paid for acquisition of leasehold land and buildings. The management has engaged independent valuer for the calculation of recoverable amount, being the fair value less cost of disposal, for impairment testing. No impairment loss has been recognised for the year ended 31 December 2017. We have identified the impairment assessment on the deposit paid for acquisition of leasehold land and buildings as a key audit matter because of its significance to the consolidated financial statements and the involvement of the estimates and judgements made by the management and the independent valuer.	Our procedures were designed to review the management's assessment on the indication of possible impairment and the reasonableness of the judgements and estimations used by the management and the independent valuer. We have discussed the indication of possible impairment with the management and where such indications were identified by the management, assessed the impairment testing performed by the management and the independent valuer. We have reviewed the valuation report conducted by the independent valuer for the fair value calculation as at 31 December 2017 and evaluated the independent valuer's competence, capabilities and objectivity and the assumptions and data used in the fair value calculation. We have also challenged the appropriateness of the judgements and estimations used by the independent valuer for the fair value calculation. We have also reviewed the legal opinion from an independent lawyer that the transfer of the land ownership is still highly probable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
23 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	2017 RMB	2016 RMB (Restated)
Revenue	7	**59,925,087**	36,243,095
Cost of sales		**(59,777,605)**	(33,486,186)
Gross profit		**147,482**	2,756,909
Other revenue	9	**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	21	**(73,201)**	(21,580,035)
Impairment loss recognised in respect of other receivables and prepayments	22	**(263,590)**	(241,984)
Reversal of impairment loss recognised in respect of trade receivables	21	**646,202**	914,174
Reversal of impairment loss recognised in respect of other receivables and prepayments	22	**63,432**	395,461
Finance costs	10	**(444,969)**	(758,333)
Loss before tax		**(16,767,281)**	(37,656,283)
Income tax credit	11	**13,282**	–
Loss and total comprehensive expense for the year	12	**(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	15		
– 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	16	**11,908,193**	8,109,992
Intangible assets	17	**6,763,999**	7,362,464
Deposits paid for acquisition of non-current assets	18	**20,428,500**	20,428,500
Prepayments	22	**384,142**	302,397
		39,484,834	36,203,353
Current assets			
Held for trading investments	19	**25,146,020**	–
Inventories	20	**2,051,965**	2,842,695
Trade receivables	21	**700,402**	14,862,836
Deposits, other receivables and prepayments	22	**6,232,513**	6,273,544
Amounts due from related parties	23	**230,000**	26,730,669
Amounts due from a director and supervisor	24	**815,298**	907,406
Pledged bank deposit	25	**–**	5,100
Bank balances and cash	25	**14,811,124**	36,269,114
		49,987,322	87,891,364
Current liabilities			
Trade payables	26	**7,126,240**	18,966,050
Other payables and accrued charges	27	**9,966,141**	10,675,959
Tax payable		**–**	18,534
Amount due to a substantial shareholder	28	**4,700,000**	–
Amounts due to directors	28	**–**	400
Bank borrowings	29	**–**	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

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 RMB	2016 RMB
Capital and reserves			
Share capital	*32*	**153,105,882**	153,105,882
Reserves	*33*	**(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

The consolidated financial statements on pages 55 to 117 were approved and authorised for issue by the board of directors on 23 March 2018 and are signed on its behalf by:

Mr. Xiao Bing
Director

Mr. Chen Ji
Director

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* *(Note 33(a))*	Other Reserve *RMB* *(Note 33(c))*	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 shareholder of a subsidiary	–	–	–	–	–	–	2,900,000	2,900,000
Shares issued *(note 32)*	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**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 *RMB*	2016 *RMB*
OPERATING ACTIVITIES		
Loss before tax	**(16,767,281)**	(37,656,283)
Adjustments for:		
Amortisation of intangible assets	**613,539**	–
Bank interest income	**(50,410)**	(46,337)
Depreciation of plant and equipment	**2,552,543**	1,420,940
Finance costs	**444,969**	758,333
Government grants received	**(37,500)**	(191,750)
Government grants amortised	**(188,200)**	(1,118,300)
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
Loss on write-off of plant and equipment	**48,748**	867
Reversal of impairment loss recognised in respect of trade receivables	**(646,202)**	(914,714)
Reversal of impairment loss recognised in respect of other receivables and prepayments	**(63,432)**	(395,461)
Reversal of allowance for inventories	**–**	(2,874,808)
Unrealised gain on the fair value changes of held for trading investments	**(5,132,378)**	–
Waiver of trade payables	**(94,987)**	–
Waiver of other payables	**(63,587)**	–
Allowance for inventories	**765,023**	1,210,870
Operating cash flows before movements in working capital	**(18,282,364)**	(17,984,624)
Decrease in inventories	**25,707**	1,928,145
Decrease (increase) in trade receivables	**14,735,435**	(8,908,279)
Increase in held for trading investments	**(20,013,642)**	–
(Increase) decrease in deposits, other receivables and prepayments	**(240,872)**	22,160,989
(Decrease) increase in trade payables	**(11,744,823)**	6,470,399
Decrease in other payables and accrued charges	**(458,031)**	(938,653)
Cash (used in) generated from operations	**(35,978,590)**	2,727,977
Income tax paid	**(5,252)**	(51,237)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(35,983,842)**	2,676,740

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB	2016 RMB
INVESTING ACTIVITIES		
Repayment from (advance to) related parties	**26,500,669**	(230,000)
Repayment from (advance to) a director and supervisor	**92,108**	(907,406)
Interest received	**50,410**	46,337
Withdrawal of pledged bank deposit	**5,100**	–
Purchase of plant and equipment	**(6,399,492)**	(6,631,214)
Payment for acquisition of intangible assets	**(15,074)**	–
Proceeds from disposal of available-for-sale investment	**–**	188,000
Deposit paid for acquisition of leasehold land and buildings	**–**	(18,546,000)
Payment for development of intangible assets	**–**	(7,362,464)
Deposit paid for acquisition of plant and equipment	**–**	(1,882,500)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**20,233,721**	(35,325,247)
FINANCING ACTIVITIES		
Advance from a substantial shareholder	**4,700,000**	–
Government grants received	**37,500**	191,750
Repayment of bank borrowings	**(10,000,000)**	(10,000,000)
Interest paid	**(444,969)**	(758,333)
Repayment from directors	**(400)**	(147,030)
Issue of shares	**–**	45,754,288
Contribution from non-controlling shareholder of a subsidiary	**–**	2,900,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(5,707,869)**	37,940,675
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(21,457,990)**	5,292,168
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**36,269,114**	30,976,946
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented bank balances and cash	**14,811,124**	36,269,114

1. GENERAL

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

Pursuant to a special resolution passed at the annual general meeting held on 30 June 2017, the English name of the Company was changed from "Xi'an Haitian Antenna Holdings Co., Ltd." to "Xi'an Haitiantian Holdings Co., Ltd." and the Chinese name was changed from "西安海天天綫控股股份有限公司" to "西安海天天實業股份有限公司" with immediate effect.

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. Details of the principal activities of the subsidiaries of the Company are disclosed in note 39.

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 ("HKFRS(s)")

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.

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

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 is provided in note 34. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 34, 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 below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

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

HKFRS 9 (2014) *Financial Instruments*

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

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

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

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

HKFRS 9 (2014) *Financial Instruments* *(Continued)*

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

The directors of the Company have performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstance existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on present value of all cash shortfalls over the remaining life of all of its trade receivables, other receivables, amounts due from related parties, a director and supervisor. The application of the expected credit loss model may result in earlier recognition of credit losses for the abovementioned balances and increase the impairment loss recognised in respect of the abovementioned balances.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

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

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

HKFRS 15 *Revenue from Contracts with Customers*

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

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

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

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

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

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

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods, provision of services and rental income. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 *Revenue*. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

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

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

HKFRS 16 *Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Ints when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB2,569,562 as disclosed in note 35. The balance represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis except for the held for trading investments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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 and sales related taxes.

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

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

Service income is recognised when services are provided.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group as lessee

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

Foreign currencies

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related services is rendered at the undiscounted amount of benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Construction in progress for production, supply or administrative purposes is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

Impairment losses on tangible and intangible assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets at FVTPL represents held for trading investments.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in the manner as described in note 6(c).

Loans and receivables

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

Impairment loss on financial assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets other than financial assets at FVTPL, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the range of credit period of 5 days to 240 days (2016: 5 to 240 days), observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

Other financial liabilities

Other financial liabilities including trade payables, other payables and accrued charges, amounts due to directors or a substantial shareholder and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Held for trading investment

The directors of the Company have classified the held for trading investments of RMB25,146,020 (2016: nil) as financial assets at FVTPL at the initial recognition as the directors of the Company considered that the held for trading investments were acquired principally for the purpose of selling in the near term for capital appreciation. Details of the held for trading investments are set out in note 19.

Material litigation

As detailed in note 40, the Group has been exposed to certain litigation as at 31 December 2017. Based on the opinion of the independent legal adviser of the Company, the directors of the Company consider that no potential liability should be made in the consolidated financial statements.

Key sources of estimation uncertainty

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

Depreciation and useful lives of plant and equipment

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

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of plant and equipment

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

As at 31 December 2017, the carrying amount of plant and equipment of the Group was RMB11,908,193 (2016: RMB8,109,992). No impairment loss has been made during the year ended 31 December 2017 (2016: nil).

Amortisation and useful lives of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involve management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the period and the estimate will be changed in the future period.

Estimated impairment of intangible assets

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

As at 31 December 2017, the carrying amount of intangible assets of the Group was RMB6,763,999 (2016: RMB7,362,464). No impairment loss has been made during the year ended 31 December 2017 (2016: nil).

Allowance for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items that are identified as not suitable for sales. The management reviews the inventory ageing list on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with respective net realisable value. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

As at 31 December 2017, the carrying amount of inventories was RMB2,051,965 (2016: RMB2,842,695). Allowance for inventories of RMB765,023 (2016: RMB1,210,870) has been recognised during the year ended 31 December 2017 and included in the cost of sales.

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of trade receivables, deposits, other receivables and amounts due from related parties

The policy for making impairment loss on trade receivables, deposits, other receivables and amounts due from related parties is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. Amounts due from related parties are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience of repayment and other factors. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

As at 31 December 2017, the carrying amount of the trade receivables was RMB700,402 (2016: RMB14,862,836), net of accumulated impairment loss of RMB52,260,341 (2016: RMB52,833,342). Impairment loss in respect of trade receivables of RMB73,201 (2016: RMB21,580,035) has been recognised for the year ended 31 December 2017.

As at 31 December 2017, the carrying amount of the deposits and other receivables was RMB1,128,453 (2016: RMB1,102,145), net of accumulated impairment loss of RMB1,613,192 (2016: RMB1,554,983). Impairment loss in respect of other receivables of RMB121,641 (2016: RMB188,838) has been recognised for the year ended 31 December 2017.

As at 31 December 2017, the carrying amount of amounts due from related parties was RMB815,298 (2016: RMB907,406). No impairment loss has been recognised for the year ended 31 December 2017 (2016: nil).

Income taxes

As at 31 December 2017, a deferred tax asset of RMB1,283,095 (2016: nil) in relation to unused tax losses of RMB5,132,378 (2016: nil) has been recognised. No deferred tax asset has been recognised for (i) the remaining unused tax losses of RMB93,358,906 (2016: RMB81,090,676) due to the unpredictability of future profits streams; and (ii) deductible temporary differences of RMB70,969,468 (2016: RMB70,577,288) as the directors of the Company considered that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to members through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to a substantial shareholder (note 28), amounts due to directors (note 28), bank borrowings (note 29), cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 ***RMB***	2016 *RMB*
Financial assets		
Held for trading investments classified at financial assets at FVTPL	**25,146,020**	–
Loan and receivables including cash and cash equivalents	**17,685,277**	79,877,270
	42,831,297	79,877,270
Financial liabilities		
At amortised cost	**21,548,381**	39,066,209

(b) Financial risk management objectives and policies

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Foreign currency risk

The subsidiaries of the Group mainly operated in their local jurisdictions with most of the transactions settled in their functional currencies of the operations. However, at 31 December 2017 and 2016, the majority of bank balances of the Group are denominated in currencies other than functional currencies of the respective group entities which expose the Group to foreign currency risk. The Group did not have any foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2017	2016
	RMB	*RMB*
Australian dollars ("AU$")	**7,654**	–
Hong Kong dollars ("HK$")	**8,067,701**	20,723,272
US$	**286,496**	304,567

Sensitivity analysis

The Group's currency risk is mainly exposed to AU$, HK$ and US$ during the years ended 31 December 2017 and 2016.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against AU$, US$ and HK$. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

6. **FINANCIAL INSTRUMENTS** *(Continued)*

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

Market risk *(Continued)*

(i) *Foreign currency risk (Continued)*

Sensitivity analysis *(Continued)*

A positive number below indicates an increase in post-tax loss for the year where RMB strengthen 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%), weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss after tax and the balance below would be negative.

	AU$ impact		HK$ impact		US$ impact	
	2017	2016	**2017**	2016	**2017**	2016
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Loss after tax	**383**	–	**403,385**	1,036,164	**14,325**	15,228

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 29).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposit and bank balances *(note 25)*. The Group currently does not have an interest rate hedging policy. However, the management monitors the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As all the Group's bank balances were short-term in nature, any changes in the interest rate from time to time is not considered to have significant impact to the Group's performance and no sensitivity analysis has been presented.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to equity price risk through its held for trading investments in listed equity securities. The Group did not have any policy to manage the price risk. Instead, the directors of the Company monitor the equity price risk regularly by reviewing the share prices and consider hedging significant price risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of respective equity instruments had been 10% (2016: nil) higher/lower, the post-tax loss for the year ended 31 December 2017 would decrease/increase by RMB2,514,602 (2016: nil).

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arisen from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Amounts due from related parties, a director and supervisor are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience of repayment and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 December 2017 and 2016, the Group does not expect to incur a significant loss for uncollectable amounts due from these parties since it is either subsequently settled or utilised.

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

The Group has concentration of credit risk as 33% (2016: 26%) and 76% (2016: 53%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the sales of construction related products segment.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 74% (2016: 81%) of the total trade receivables as at 31 December 2017.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

The Company's contractual maturity for all its financial liabilities and the undiscounted cash flows of financial liabilities are within one year or on demand as at 31 December 2017 and 2016.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and includes both interest and principal cash flows. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity tables

At 31 December 2017

	On demand or within one year and total undiscounted cash flows *RMB*	Carrying amount *RMB*
Non-derivative financial liabilities		
Trade payables	7,126,240	7,126,240
Other payables and accrued charges	9,722,141	9,722,141
Amount due to a substantial shareholder	4,700,000	4,700,000
	21,548,381	21,548,381

At 31 December 2016

	On demand or within one year and total undiscounted cash flows *RMB*	Carrying amount *RMB*
Non-derivative financial liabilities		
Trade payables	18,966,050	18,966,050
Other payables and accrued charges	10,099,759	10,099,759
Amounts due to directors	400	400
Bank borrowings	10,432,496	10,000,000
	39,498,705	39,066,209

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement for financial assets that are measured at fair value on a recurring basis

At 31 December 2017, financial assets that are measured at fair value at the end of the reporting period are held for trading investments of RMB25,146,020 (2016: nil) which are classified as financial assets at FVTPL and the fair value measurement was grouped into Level 1 based on the degree to which the fair value is observable in accordance with the Group's accounting policy.

There was no transfer between levels of fair value hierarchy in the current year.

The valuation technique and input used in the fair value measurement of the financial assets on a recurring basis are set out below:

Financial instruments	Fair value as at 2017 *RMB*	2016 *RMB*	Fair value hierarchy	Valuation technique and key inputs
Listed equity securities classified as held for trading investments	**25,146,020**	–	Level 1	Quoted bid prices in an active market

(d) Fair value measurement for financial instruments that are not measured at fair value on a recurring basis

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

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

8. 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 aggregated into a single reporting segment as "others" after taking into account that none of which are 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.

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating 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 described in note 3. 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.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Segment assets

	2017 *RMB*	2016 *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 *RMB*	2016 *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.

8. SEGMENT INFORMATION *(Continued)*

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)

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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

8. SEGMENT INFORMATION *(Continued)*

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

Information about major customers

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

	2017	2016
	RMB	*RMB*
Customer A	**33,144,524**	N/A[1]
Customer B	**7,780,336**	N/A[1]
Customer C	**N/A[1]**	12,487,846
Customer D	**N/A[1]**	10,936,636

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

For the years ended 31 December 2017 and 2016, segment revenue generated from the above customers contributing over 10% of the total revenue relates to the sales of construction related products segment.

9. OTHER REVENUE

	2017 RMB	2016 RMB (Restated)
Bank interest income	50,410	46,337
Government grants *(note (i))*	37,500	191,750
Government grants amortised *(note 31)*	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 *(note (ii))*	94,987	–
Waiver of other payables *(note (iii))*	63,587	–
Others	3,483	45,907
	631,881	1,786,729

Notes:

(i) Government grants during the years ended 31 December 2017 and 2016 were received from several local government authorities for the Group's contribution to local economies, of which there are no unfulfilled conditions or contingencies relating to those grants and recognised upon receipts.

(ii) During the year ended 31 December 2017, a supplier has agreed to waive certain trade payables as compensation due to additional work was performed by the Group.

(iii) During the year ended 31 December 2017, a contractor has agreed to waive the payables in respect of certain renovation work performed for the Group in previous years.

10. FINANCE COSTS

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

11. INCOME TAX CREDIT

	2017 RMB	2016 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.

11. INCOME TAX CREDIT *(Continued)*

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

	2017 *RMB*	2016 *RMB*
Loss before tax	**(16,767,281)**	(37,656,283)
Tax at the domestic income tax rate of 25% (2016: 25%)	**(4,191,820)**	(9,414,071)
Tax effect of expenses not deductible for tax purpose	**770,886**	165,149
Tax effect of income not taxable for tax purpose	**(18,489)**	(1)
Tax effect of unused tax losses not recognised	**4,350,152**	5,690,732
Tax effect of utilisation of unused tax losses not recognised	**(1,283,095)**	–
Tax effect of deductible temporary differences not recognised	**275,453**	2,909,156
Tax effect of utilisation of deductible temporary difference not recognised	**(177,408)**	(327,409)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**279,573**	976,444
Over-provision in prior years	**(18,534)**	–
Income tax credit	**(13,282)**	–

Details of the deferred taxation are set out in note 30.

12. LOSS FOR THE YEAR

	2017 *RMB*	2016 *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 *(note 13)*	**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.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the twelve (2016: fifteen) directors of the Company were as follows:

	Fees		Salaries and allowances		Retirement benefit scheme contributions		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Executive directors								
Xiao Bing	–	–	487,891	500,000	49,665	39,387	537,556	539,387
Chen Ji	295,000	500,000	279,513	–	13,965	–	588,478	500,000
Non-executive directors								
Li Wenqi	6,000	6,000	–	–	–	–	6,000	6,000
Sun Wenguo	6,000	6,000	–	–	–	–	6,000	6,000
Huang Jing (appointed on 29 June 2016)	324,000	162,500	–	–	–	–	324,000	162,500
Yan Weimin (appointed on 29 June 2016)	6,000	3,000	–	–	–	–	6,000	3,000
Zuo Hong (appointed on 29 June 2016)	–	–	363,280	201,690	32,366	16,205	395,646	217,895
Li Peng (resigned on 28 June 2016)	–	–	–	151,771	–	3,724	–	155,495
Xie Yiqun (resigned on 28 June 2016)	–	3,000	–	–	–	–	–	3,000
Yan Feng (resigned on 28 June 2016)	–	3,000	–	–	–	–	–	3,000
Independent non-executive directors								
Shi Ping	12,000	12,000	–	–	–	–	12,000	12,000
Tu Jijun	12,000	12,000	–	–	–	–	12,000	12,000
Zhang Jun	12,000	12,000	–	–	–	–	12,000	12,000
Dr. Lam Lee G (appointed on 15 September 2017)	4,000	–	–	–	–	–	4,000	–
Huang Jing (resigned on 28 June 2016)	–	6,000	–	–	–	–	–	6,000
Liao Kang (appointed on 29 June 2016 and resigned on 30 August 2017)	9,000	6,000	–	–	–	–	9,000	6,000
	686,000	731,500	1,130,684	853,461	95,996	59,316	1,912,680	1,644,277

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Directors' emoluments *(Continued)*

The amounts disclosed above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertakings.

No chief executive has been appointed by the Company during the years ended 31 December 2017 and 2016.

No directors waived or agreed to waive any emoluments for both years.

Supervisors' emoluments

The emoluments paid or payable to each of the five (2016: eight) supervisors of the Company were as follows:

	Fees		Salaries and allowances		Retirement benefit scheme contributions		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Supervisors								
Wang Xiaokun	12,000	12,000	–	–	–	–	12,000	12,000
Zhang Yi	12,000	12,000	–	–	–	–	12,000	12,000
Li Tianzuo (appointed on 29 June 2016)	–	–	194,160	100,440	24,940	12,486	219,100	112,926
Shen Hongxiu (appointed on 29 June 2016)	–	–	324,000	324,000	89,894	83,483	413,894	407,483
Yan Feng (appointed on 29 June 2016)	6,000	3,000	–	–	–	–	6,000	3,000
Bai Fubo (resigned on 28 June 2016)	–	3,000	–	–	–	–	–	3,000
Shen Yi (resigned on 28 June 2016)	–	21,000	–	–	–	–	–	21,000
Xu Hao (resigned on 28 June 2016)	–	–	–	123,592	–	16,313	–	139,905
Total	30,000	51,000	518,160	548,032	114,834	112,282	662,994	711,314

No emoluments have been paid by the Group to the directors or supervisors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office in any of the two years ended 31 December 2017 and 2016.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors and supervisors of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining two (2016: two) individuals were as follows:

	2017 ***RMB***	2016 *RMB*
Salaries and allowances	**901,730**	750,520
Retirement benefit scheme contributions	**47,896**	116,001
	949,626	866,521

Their emoluments were within the following band:

	2017 **Number of employees**	2016 Number of employees
Nil to HK$1,000,000 (equivalent to RMB870,000 (2016: equivalent to RMB895,833))	**2**	2

Senior management's remuneration

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

	2017 **Number of employees**	2016 Number of employees
Nil to HK$1,000,000 (equivalent to RMB870,000 (2016: equivalent to RMB895,833))	**2**	2

No emoluments have been paid by the Group to the five individuals with highest emoluments and senior management in the Group as an inducement to join or upon joining the Group, or as compensation for loss of office in any of the two years ended 31 December 2017 and 2016.

14. 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).

15. 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).

16. PLANT AND EQUIPMENT

	Motor vehicles	Plant and machinery	Furniture, fixtures and equipment	Leasehold improvement	Construction in progress	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
COST						
At 1 January 2016	667,145	4,821,331	2,971,823	–	1,774,313	10,234,612
Additions	1,349,171	81,897	78,019	–	5,122,127	6,631,214
Write-off	–	–	(17,353)	–	–	(17,353)
Transfers	–	–	450,893	4,924,111	(5,375,004)	–
At 31 December 2016	2,016,316	4,903,228	3,483,382	4,924,111	1,521,436	16,848,473
Additions	1,143,220	3,884	605,782	2,250,612	2,395,994	6,399,492
Write-offs	–	(240,077)	(779,447)	–	–	(1,019,524)
Transfers	–	102,632	–	–	(102,632)	–
At 31 December 2017	3,159,536	4,769,667	3,309,717	7,174,723	3,814,798	22,228,441
ACCUMULATED DEPRECIATION						
At 1 January 2016	34,848	4,546,863	2,752,316	–	–	7,334,027
Provided for the year	164,634	193,158	150,454	912,694	–	1,420,940
Eliminated on write-off	–	–	(16,486)	–	–	(16,486)
At 31 December 2016	199,482	4,740,021	2,886,284	912,694	–	8,738,481
Provided for the year	552,066	122,547	243,017	1,634,913	–	2,552,543
Eliminated on write-offs	–	(239,372)	(731,404)	–	–	(970,776)
At 31 December 2017	751,548	4,623,196	2,397,897	2,547,607	–	10,320,248
CARRYING VALUES						
At 31 December 2017	2,407,988	146,471	911,820	4,627,116	3,814,798	11,908,193
At 31 December 2016	1,816,834	163,207	597,098	4,011,417	1,521,436	8,109,992

16. PLANT AND EQUIPMENT *(Continued)*

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

Motor vehicles	3 – 5 years
Plant and machinery	3 – 10 years
Furniture, fixtures and equipment	3 – 5 years
Leasehold improvement	Over the shorter of the term of the lease or 3-5 years

17. INTANGIBLE ASSETS

	Development costs *RMB*	Technical know-how *RMB*	Development in progress *RMB*	Self-developed prototype *RMB*	Total *RMB*
COST					
At 1 January 2016	62,385,900	10,000,000	–	–	72,385,900
Addition	–	–	7,362,464	–	7,362,464
At 31 December 2016	62,385,900	10,000,000	7,362,464	–	79,748,364
Addition	–	–	15,074	–	15,074
Transfers	–	–	(7,377,538)	7,377,538	–
At 31 December 2017	62,385,900	10,000,000	–	7,377,538	79,763,438
AMORTISATION					
At 1 January 2016 and 31 December 2016	62,385,900	10,000,000	–	–	72,385,900
Provided for the year	–	–	–	613,539	613,539
At 31 December 2017	62,385,900	10,000,000	–	613,539	72,999,439
CARRYING VALUES					
At 31 December 2017	–	–	–	6,763,999	6,763,999
At 31 December 2016	–	–	7,362,464	–	7,362,464

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Development costs	5 years
Technical know-how	10 years
Self-developed prototype	5 years

18. DEPOSITS PAID FOR ACQUISITION OF NON-CURRENT ASSETS

	2017 **RMB**	2016 RMB
Deposit paid for acquisition of leasehold land and buildings *(note)*	**18,546,000**	18,546,000
Deposit paid for acquisition of plant and equipment	**1,882,500**	1,882,500
	20,428,500	20,428,500

Note: On 21 August 2015, the Company entered into a sale and purchase agreement with 西安翔宇航空科技股份有限公司 ("西安翔宇") for the acquisition of leasehold land and buildings situated in High Technology Zone in Xi'an Province, the PRC, at a cash consideration of RMB40,000,000. Initial deposit of RMB18,546,000 has been paid to the Xi'an Intermediate People's Court in accordance with the sale and purchase agreement during the year ended 31 December 2016.

The acquisition has not been completed at the end of the reporting period as the transfer of land title has not yet completed as detailed in note 40(d).

19. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

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

20. INVENTORIES

	2017 **RMB**	2016 RMB
Raw materials	**895,323**	1,143,006
Work-in-progress	**55,175**	55,175
Finished goods	**1,101,467**	1,644,514
	2,051,965	2,842,695

During the year ended 31 December 2016, reversal of allowance for inventories of RMB2,874,808 (2017: nil) has been recognised as the corresponding inventories were either sold or used.

21. TRADE RECEIVABLES

	2017 RMB	2016 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 RMB	2016 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 RMB186,102 (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.

The ageing analysis of trade receivables which are past due but not impaired is set out below:

	2017 RMB	2016 RMB
Within 60 days	186,102	14,651,509
61 to 120 days	–	211,327
	186,102	14,862,836
Neither past due nor impaired	514,300	–
	700,402	14,862,836

Trade receivables that were neither past due nor impaired related to a customer for whom there was no recent history of default.

21. TRADE RECEIVABLES *(Continued)*

At the end of each reporting period, the Group's trade receivables were individually determined to be impaired with an aggregate balance of RMB52,260,341 (2016: RMB52,833,342). The trade receivables are determined to be impaired based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the allowance for impairment loss of trade receivables is as follows:

	2017	2016
	RMB	*RMB*
At 1 January	**52,833,342**	33,307,891
Impairment loss recognised	**73,201**	21,580,035
Amounts written off as uncollectible	**–**	(1,140,410)
Reversal of impairment loss recognised in previous years	**(646,202)**	(914,174)
At 31 December	**52,260,341**	52,833,342

22. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	RMB	*RMB*
Non-current portion:		
Prepayments	**384,142**	302,397
Current portion:		
Other receivables, gross	**2,409,868**	2,619,868
Less: Allowance for impairment loss	**(1,613,192)**	(1,554,983)
Other receivables, net *(note)*	**796,676**	1,064,885
Rental deposits	**331,777**	37,260
Prepayments to a supplier	**4,639,400**	4,639,400
Other prepayments, gross	**1,598,926**	1,524,316
Less: Allowance for impairment loss	**(1,134,266)**	(992,317)
Other prepayments, net	**464,660**	531,999
	6,232,513	6,273,544

Note: Included in other receivables are advances to employees (net of allowance for impairment loss) of RMB259,454 (2016: RMB434,459). The advances are interest-free, unsecured and repayable on demand.

22. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Included in the allowance for impairment loss of are individually impaired other receivables and prepayments with an aggregate balance of RMB2,747,458 (2016: RMB2,547,300) which have been long outstanding and considered uncollectible.

	2017	2016
	RMB	*RMB*
At 1 January	**2,547,300**	2,700,777
Impairment loss recognised	**263,590**	241,984
Reversal of impairment loss recognised in previous years	**(63,432)**	(395,461)
At 31 December	**2,747,458**	2,547,300

23. AMOUNTS DUE FROM RELATED PARTIES

Particulars of amounts due from related parties are as follows:

Name of related party	**Relationship**	**Outstanding amount 2017**	**Outstanding amount** 2016	**Maximum amount outstanding during the year ended 31 December 2017**	2016
		RMB	*RMB*	***RMB***	*RMB*
西安海天投資控股有限公司 ("西安海天投資")	Common director and common shareholder *(note (i))*	**–**	26,500,669	**26,500,669**	26,500,669
陝西天地通通信發展有限公司 ("陝西天地通")	Controlled by director *(note (ii))*	**230,000**	230,000	**230,000**	230,000
		230,000	26,730,669		

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

Notes:

(i) Xiao Bing is the common director and shareholder of the Company and 西安海天投資, which is owned as to 25% by Xiao Bing, during the years ended 31 December 2017 and 2016.

(ii) Zuo Hong is the non-executive director of the Company and the substantial shareholder of 陝西天地通, which is owned as to 90% by Zuo Hong, during the years ended 31 December 2017 and 2016.

24. AMOUNTS DUE FROM A DIRECTOR AND SUPERVISOR

The amounts due from a director and supervisor are unsecured, interest-free and repayable on demand.

Particulars of amounts due from a director and supervisor are as follow:

Name of Director/supervisor	Outstanding amount	Outstanding amount	Maximum amount outstanding during the year ended 31 December	
	2017	2016	**2017**	2016
	RMB	*RMB*	***RMB***	*RMB*
Zuo Hong, a director	**815,298**	842,671	**842,671**	842,671
Xu Hao, a supervisor	**–**	64,735	**64,375**	64,375
	815,298	907,406		

25. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

As at 31 December 2016, pledged bank deposit of RMB5,100 which carried an interest rate of 4.5% per annum represented deposit pledged to a bank to secure the quality of the products sold to certain customers. The deposit has been released during the year ended 31 December 2017.

Bank balances carry interest at prevailing market interest rate at the end of each reporting period.

26. 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.

27. OTHER PAYABLES AND ACCRUED CHARGES

	2017 *RMB*	2016 *RMB*
Other payables *(note)*	**5,922,236**	6,421,909
Accrued charges	**3,782,955**	3,677,850
Receipt in advance	**244,000**	388,000
Rental deposit received	**16,950**	–
Deferred income *(note 31)*	**–**	188,200
	9,966,141	10,675,959

Note: Included in other payables is a temporary advance of RMB1,000,000 (2016: RMB1,000,000) from an independent third party to the Group. The amount is interest-free, unsecured and repayable on demand.

28. AMOUNTS DUE TO A SUBSTANTIAL SHAREHOLDER/DIRECTORS

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

29. BANK BORROWINGS

	2017 *RMB*	2016 *RMB*
Bank borrowings, unsecured, guaranteed and repayable within one year	**–**	10,000,000

The bank borrowings as at 31 December 2016 carried fixed interest rate of 6.52% per annum. The bank borrowings have been fully repaid during the year ended 31 December 2017.

As at 31 December 2016, the bank borrowings were guaranteed by Xiao Bing, an executive director of the Company, and his close family member with pledge of certain properties to a bank to secure the bank borrowings. Such bank borrowings were fully repaid as at 31 December 2017.

30. DEFERRED TAXATION

The followings are the major deferred tax asset (liability) recognised and movement thereon during the current and prior years:

	Fair value changes of held for trading investments *RMB*	Unused tax losses *RMB*	Total *RMB*
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–
(Charge) credit to profit or loss *(note 11)*	(1,283,095)	1,283,095	–
At 31 December 2017	(1,283,095)	1,283,095	–

As at 31 December 2017, the Group had unused tax losses of RMB98,491,284 (2016: RMB81,090,676) available for offset against future profits. Deferred tax asset has been recognised in respect of unused tax losses of RMB5,132,378 (2016: nil). No deferred tax asset has been recognised in respect of the remaining unused tax losses of RMB93,358,906 (2016: RMB81,090,676) due to the unpredictability of future profits streams. Included in unused tax losses was RMB81,562,603 (2016: RMB69,294,373) which will be expired in 5 years from the year of origination. Other unused tax losses of RMB11,796,303 (2016: RMB11,796,303) may be carried forward indefinitely.

As at 31 December 2017, the Group also had deductible temporary differences of RMB70,969,468 (2016: RMB70,577,288). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. DEFERRED INCOME

	2017 ***RMB***	2016 *RMB*
At 1 January	**188,200**	1,306,500
Amortised and recognised as other revenue during the year *(note 9)*	**(188,200)**	(1,118,300)
At 31 December	**–**	188,200
Analysis for reporting purposes and classified as other payables and accrued charges under current liabilities *(note 27)*	**–**	188,200

The deferred income represents the government grants received by the Group in respect of the development and industrialisation of antenna for the TD-SCDMA long term evolution (TD-LTE) in previous years. The deferred income is amortised over 5 years.

32. SHARE CAPITAL

	Number of shares 2017	2016	Share capital 2017 RMB	2016 RMB
Domestic shares of RMB0.10 each				
Registered, issued and fully paid:				
At the beginning and the end of the year	**885,294,118**	885,294,118	**88,529,412**	88,529,412
H shares of RMB0.10 each				
Registered, issued and fully paid:				
At the beginning of the year	**645,764,706**	461,764,706	**64,576,470**	46,176,470
Issue of shares *(note)*	**–**	184,000,000	**–**	18,400,000
At the end of the year	**645,764,706**	645,764,706	**64,576,470**	64,576,470
	1,531,058,824	1,531,058,824	**153,105,882**	153,105,882

Note: On 21 April 2016 and 28 April 2016, the Company issued and allotted 32,000,000 H shares and 60,000,000 H shares of RMB0.10 each for consideration of HK$0.33 per share to shareholders respectively.

On 15 December 2016, the Company issued and allotted another 92,000,000 H shares of RMB0.10 each for consideration of HK$0.25 per share to shareholders.

These shares rank pari passu in all respects with other shares in issue.

33. RESERVES

(a) Statutory surplus reserve

In accordance with the Articles of Association of the Company and certain PRC subsidiaries of the Company, the Company and certain PRC subsidiaries are required to appropriate 10% of its profit after tax each year to the statutory surplus reserve until the balance reaches 50% of the registered capital. The statutory surplus reserve shall only be used for utilising the prior year losses, capitalised into share capital and expansion of the Company's production and operation.

33. RESERVES *(Continued)*

(b) Distributable reserves

In accordance with the Articles of Association of the Company, the reserves available for distribution is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the HKFRSs. Based on the financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC, the Company does not have any distributable reserve available for distribution to its owners as at 31 December 2017 and 2016.

(c) Other reserve

西安海天投資, a related company of the Company under common shareholders, agreed to waive the rental payable by the Company of RMB11,917,380 and RMB3,938,899 for the years ended 31 December 2012 and 2009 respectively. Such waiver is deemed to be a transaction with owners of the Company and therefore recognised in other reserve.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	**Financing cash flows**	**Interest expenses accrued**	**31 December 2017**
	RMB	*RMB*	*RMB*	*RMB*
Amount due to a substantial shareholder	–	4,700,000	–	4,700,000
Bank borrowings	10,000,000	(10,444,969)	444,969	–
Amount due to directors	400	(400)	–	–
	10,000,400	(5,745,369)	444,969	4,700,000

35. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	2016
	RMB	*RMB*
Within one year	**1,100,389**	437,508
In the second to fifth years inclusive	**1,192,640**	218,754
Over five years	**276,533**	–
	2,569,562	656,262

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a range of 1 – 20 years (2016: 2 years) and rentals are fixed at the inception of the respective leases.

36. CAPITAL COMMITMENTS

	2017	2016
	RMB	*RMB*
Capital expenditure in respect of following contracted for but not provided in the consolidated financial statements:		
– Acquisition of property, plant and equipment	**21,454,000**	23,205,244
– Acquisition of an associate	**2,000,000**	–
	23,454,000	23,205,244

37. RETIREMENT BENEFITS SCHEME

(i) Hong Kong

A subsidiary in Hong Kong operates the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all of its employee in Hong Kong. The Group contributes 5% of the relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by the employees. The assets of the MPF Scheme are held separately. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The total cost charged to profit or loss of RMB67,366 (2016: nil) represents contributions payable to this scheme by the Group in respect of the current accounting period.

(ii) The PRC, other than Hong Kong

The Group participates in a defined contribution retirement scheme operated by the relevant local government authority in the PRC. All employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% (2016: 20%) of the local standard basic salaries.

The total cost charged to profit or loss of RMB1,027,758 (2016: RMB1,162,586) represents contributions payable to retirement benefit scheme by the Group in respect of the current accounting period.

38. RELATED PARTY TRANSACTIONS

(a) Saved as disclosed elsewhere in the consolidated financial statements, the Group had no other material balances or transactions with related parties during the years ended 31 December 2017 and 2016.

(b) Compensation of key management personnel

The compensation paid to key management personnel, being the directors, supervisors and senior management of the Company, during the year was as follows:

	2017	2016
	RMB	*RMB*
Short-term benefits	**3,709,573**	2,562,512
Post-employment benefits	**300,287**	188,768
	4,009,860	2,751,280

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

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment/ operations	Class of shares held	Paid up capital/share capital	Percentage of equity interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2017	2016	2017	2016	
Xaht Antenna Technologies (Hongkong) Limited	Hong Kong	Ordinary shares	HK$1,500,000	100%	100%	–	–	Investment holding
Xi'an Haitian Communication System Engineering Co., Ltd.# (西安海天通信系統工程有限公司) *	The PRC	Registered capital	RMB5,000,000	100%	100%	–	–	Design and installation of the antennas and related products
Xi'an Haitian Wireless System Equipment Co., Ltd.# (西安海天無綫系統設備有限公司) *	The PRC	Registered capital	RMB20,000,000	100%	100%	–	–	Development and consulting services of Time Division – Synchronous Code Division Multiple Access
Haitian Antenna (Shanghai) International Trade Co., Ltd.# (海天天綫(上海)國際貿易有限公司) *	The PRC	Registered capital	RMB20,000,000 (2016: RMB6,000,000)	100%	100%	–	–	Trading of construction related products and provision of consultancy services
Xi'an Haitian Marine Development Co., Ltd.# (西安海天海洋科技有限公司) *	The PRC	Registered capital	RMB10,000,000	100%	100%	–	–	Research, development and marketing of underwater surveillance, underwater imaging, underwater mechanical equipment and other related products.
Xi'an Haitian Aerospace Technologies Co., Ltd.# (西安海天航空航天科技有限公司) *	The PRC	Registered capital	RMB10,000,000	100%	100%	–	–	Development of unmanned aerial vehicles, avionics imaging and monitoring, and other related products and services.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Class of shares held	Paid up capital/share capital	Percentage of equity interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2017	2016	2017	2016	
Xi'an Haitian Automotive Electronics Technologies Co., Ltd.# (西安海天汽車電子科技有限公司)*	The PRC	Registered capital	RMB1,000,000	100%	100%	–	–	Inactive
Yi County Hailan Natural Agriculture Technologies Co., Ltd* (易縣海蘭天然農業開發有限責任公司)* ("Yi County Hailan")	The PRC	Registered capital	RMB10,000,000	–	–	51%	51%	Trading of poultry and agricultural products
Heinz (Hong Kong) Light Aviation Engines Limited	Hong Kong	Ordinary shares	US$1	–	–	100%	N/A	Inactive
Beijing Hailan Taixing Technologies Development Co., Ltd* (北京海蘭太行科技開發有限公司)*	The PRC	Registered Capital	RMB1,000,000	100%	N/A	–	–	Inactive

* Limited company established in the PRC
# The English name is for identification purpose only

None of the subsidiaries had issued any debt securities at the end of each reporting period or during the reporting periods.

The table below shows details of a non-wholly owned subsidiary of the Group that has non-controlling interest that are material to the Group:

Name of subsidiary	Place of establishment/ operations	Proportion of ownership interest held by non-controlling interests	Proportion of voting power held by non-controlling interests	Loss attributable to non-controlling interests *RMB*	Accumulated non-controlling interest *RMB*
2017					
Yi County Hailan	The PRC	49%	49%	(71,643)	2,825,885
2016					
Yi County Hailan	The PRC	49%	49%	(2,472)	2,897,528

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Summarised financial information in respect of the Group's subsidiary that has non-controlling interest which are material to the Group is set out below. The summarised financial information below represents amounts before intra-group eliminations.

Yi County Hailan

	2017	2016
	RMB	*RMB*
Non-current assets	**2,652,784**	–
Current assets	**3,188,064**	5,913,722
Current liabilities	**(73,736)**	(400)
Equity attributable to owners of the Company	**(2,941,227)**	(3,015,794)
Non-controlling interest	**(2,825,885)**	(2,897,528)
Revenue	**663,434**	–
Expenses	**(809,644)**	(5,045)
Loss and total comprehensive expense for the year	**(146,210)**	(5,045)
Loss and total comprehensive expense attributable to:		
– owners of the Company	**(74,567)**	(2,573)
– non-controlling interest	**(71,643)**	(2,472)
	(146,210)	(5,045)
Net cash inflows (outflows) from operating activities	**1,593,999**	(5,045)
Net cash outflows from investing activities	**(2,652,784)**	–
Net cash (outflows) inflows from financing activities	**(400)**	5,918,767
Net cash (outflows) inflows	**(1,059,185)**	5,913,722

40. LITIGATION

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

(a) On 19 September 2010, the Company filed a writ against 陝西新三秦彩鋼有限公司 (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 for a sum of 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.

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 the year ended 31 December 2016, a mutual agreement on the settlement between the Company and the Defendant A was still under negotiation and pending to conclude up to the report date.

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's consolidated financial statements for the years ended 31 December 2017 and 2016 as the amount of construction cost of RMB827,560 (2016: RMB827,560) 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 西安海天投資, a related company of the Group, for the outstanding building construction fee of RMB606,000 and against the Company in which the Company was jointly responsible. In 2015, the Xi'an Court concluded the related company was liable for the claim while the Company is not liable to the joint responsibility. The related company appealed the case on 18 May 2015. After retrial, the People's Court dismissed all the claims from the Plaintiff A. The Court has accepted the Plaintiff A's appeal on the retrial judgement and the case is still in progress as at 31 December 2017.

No provision was made for this case as the directors of the Company consider that legal conclusion would state unchanged and be favour to the Company. Therefore no provision has been recognised in this regard.

40. LITIGATION *(Continued)*

(c) During the year ended 31 December 2015, 西安慶建塑業有限公司 (the "Plaintiff B"), a supplier of the Company, filed a dispute at 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 the 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 that legal conclusion would state unchanged and be favour to the Company. Therefore no provision has been recognised in this regard.

(d) Pursuant to the sale and purchase agreement dated 21 August 2015, the Group acquired a piece of leasehold land and buildings from 西安翔宇航空科技股份有限公司 (the "Defendant B") situated in Xi'an Province, the PRC, at a consideration of RMB40,000,000. During the year ended 31 December 2016, an initial deposit for the acquisition of leasehold land and buildings of RMB18,546,000 has been paid in accordance the sale and purchase agreement, but the Defendant B failed to assist the Group for the transfer of the land ownership. After several unsuccessful negotiations with the Defendant B, the Group has filed a writ to the People's Court against the Defendant B in September 2017. However, the People's Court dismissed the Group's prosecution with the grounds that the Group could not provide relevant supporting documents. The Group is in the action to appeal again to the Xi'an Intermediate People's Court.

The directors of the Company consider the legal conclusion and concluded that the transfer of the land ownership is still highly probable.

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB	2016 RMB
Non-current assets		
Plant and equipment	6,041,740	6,620,427
Investments in subsidiaries *(note (i))*	15,030,652	11,000,000
Intangible assets	–	–
Deposits paid for acquisition of non-current assets	18,546,000	18,546,000
	39,618,392	36,166,427
Current assets		
Inventories	–	19,303
Trade receivables	514,300	–
Other receivables and prepayments	174,773	604,675
Amounts due from subsidiaries *(note (ii))*	17,276,549	40,454,716
Amount due from a related party	–	26,500,669
Amounts due from a director and supervisor	–	23,952
Pledged bank deposit	–	5,100
Bank balances and cash	8,025,621	20,857,861
	25,991,243	88,466,276
Current liabilities		
Trade payables	5,775,239	6,797,638
Other payables and accrued charges	7,740,121	7,658,474
Amounts due to subsidiaries	11,079,840	15,409,754
	24,595,200	29,865,866
Net current assets	1,396,043	58,600,410
Net assets	41,014,435	94,766,837
Capital and reserves		
Share capital *(note 32)*	153,105,882	153,105,882
Reserves *(note (iii))*	(112,091,447)	(58,339,045)
Total equity	41,014,435	94,766,837

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(i) Investments in subsidiaries

	2017 *RMB*	2016 *RMB*
COST		
At the beginning of the year	**53,597,500**	46,397,500
Additions	**15,000,000**	7,200,000
At the end of the year	**68,597,500**	53,597,500
IMPAIRMENT		
At the beginning of the year	**42,597,500**	–
Additions	**10,969,348**	42,597,500
At the end of the year	**53,566,848**	42,597,500
CARRYING AMOUNT		
At 31 December	**15,030,652**	11,000,000

(ii) The amounts are unsecured, non-interest bearing and repayable on demand.

(iii) Movement in reserves

	Share premium *RMB*	Statutory surplus reserve *RMB* *(Note 33 (a))*	Other Reserve *RMB* *(Note 33 (c))*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2016	88,035,760	16,153,228	15,856,279	(105,195,713)	14,849,554
Loss and total comprehensive expense for the year	–	–	–	(100,542,887)	(100,542,887)
Shares issued *(note 32)*	27,354,288	–	–	–	27,354,288
At 31 December 2016	115,390,048	16,153,228	15,856,279	(205,738,600)	(58,339,045)
Loss and total comprehensive expense for the year	–	–	–	(53,752,402)	(53,752,402)
At 31 December 2017	115,390,048	16,153,228	15,856,279	(259,491,002)	(112,091,447)

42. 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.

* *The English name is for identification purpose only.*

43. 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.

Financial Summary

	Year ended 31 December				
	2013 *RMB*	2014 *RMB*	2015 *RMB*	2016 *RMB*	**2017** ***RMB***
RESULTS					
Revenue					
– Sales of antennas products and related services	25,189,899	11,028,978	13,496,935	1,946,936	**971,805**
– Sales of underwater surveillance and related products	–	–	9,840,617	3,939,916	**257,809**
– Sales of unmanned aerial products	–	–	–	–	**1,187,693**
– Sales of construction related products	–	–	–	26,088,273	**56,713,620**
– Provision of consultancy services	–	–	–	3,203,329	**–**
– Others	–	–	–	1,064,641	**794,160**
	25,189,899	11,028,978	23,337,552	36,243,095	**59,925,087**
(Loss) profit before tax	(12,467,709)	(2,840,491)	(21,930,481)	37,656,283	**(16,767,281)**
Income tax credit (expense)	(2,726,801)	(782,442)	(5,565)	–	**13,282**
(Loss) profit and total comprehensive (expense) income for the year	(15,194,510)	(3,622,933)	(21,936,046)	37,656,283	**(16,753,999)**

	As at 31 December				
	2013 *RMB*	2014 *RMB*	2015 *RMB*	2016 *RMB*	**2017** ***RMB***
ASSETS AND LIABILITIES					
Total assets					
– Sales of antennas products and related services	172,008,445	132,603,552	37,749,323	4,746,587	**1,751,629**
– Sales of underwater surveillance and related products	–	–	17,067,656	5,522,082	**838,232**
– Sales of unmanned aerial products	–	–	6,586,939	34,669,053	**39,656,355**
– Sales of construction related products	–	–	–	16,177,411	**1,509,238**
– Provision of consultancy services	–	–	–	204,701	**–**
– Others	–	–	–	–	**3,607,943**
– Unallocated	–	–	57,477,615	62,774,883	**42,648,759**
	172,008,445	132,603,552	118,881,533	124,094,717	**89,472,156**
Total liabilities					
– Sales of antennas products and related services	(159,820,511)	(124,038,551)	(19,661,861)	(14,398,726)	**(8,574,819)**
– Sales of underwater surveillance and related products	–	–	(5,411,483)	(4,819,525)	**(306,069)**
– Sales of unmanned aerial products	–	–	(52,649)	(152,599)	**(7,767,230)**
– Sales of construction related products	–	–	–	(10,254,541)	**(112,227)**
– Provision of consultancy services	–	–	–	(17,018)	**–**
– Others	–	–	–	–	**(73,736)**
– Unallocated	–	–	(20,319,771)	(10,018,534)	**(4,958,300)**
	(159,820,511)	(124,038,551)	(45,445,764)	(39,660,943)	**(21,792,381)**
Total equity	12,187,934	8,565,001	73,435,769	84,433,774	**67,679,775**