



**西安海天天綫科技股份有限公司**

**XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.\***

*(formerly known as 西安海天天實業股份有限公司 (Xi'an Haitiantian Holdings Co., Ltd. \*))*

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

**(Stock Code: 8227)**

**PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG  
KONG LIMITED (THE “STOCK EXCHANGE”)**

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

## ANNUAL RESULTS

The board of Directors (the “Board”) of the Company announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>RMB</b>	2018 <b>RMB</b>
Revenue	4	<b>38,639,994</b>	44,115,022
Cost of sales		<b>(37,671,462)</b>	(43,302,152)
Gross profit		<b>968,532</b>	812,870
Other revenue	6	<b>5,224,004</b>	747,799
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		<b>(3,556,003)</b>	(8,773,966)
Distribution expenses		<b>(688,950)</b>	(420,995)
Administrative expenses		<b>(22,780,317)</b>	(22,202,700)
Impairment loss reversed in respect of trade receivables, other receivables and prepayments		<b>1,178,212</b>	376,096
Impairment loss recognised in respect of intangible assets		–	(5,291,506)
Impairment loss recognised in respect of deposit paid for acquisition of non-current assets		–	(2,145,299)
Write-off of prepayments		–	(3,576,091)
Finance costs	7	<b>(3,213,765)</b>	–
Share of result of an associate		<b>(1,030,042)</b>	(481,752)
Loss before tax		<b>(23,898,329)</b>	(40,955,544)
Income tax expense	8	<b>(21,760)</b>	(12,051)
Loss and total comprehensive expense for the year	9	<b><u>(23,920,089)</u></b>	<b><u>(40,967,595)</u></b>
Attributable to:			
– Owners of the Company		<b>(24,057,085)</b>	(41,080,398)
– Non-controlling interest		<b>136,996</b>	112,803
		<b><u>(23,920,089)</u></b>	<b><u>(40,967,595)</u></b>
Loss per share:			
– Basic and diluted ( <i>RMB cents</i> )	11	<b><u>(1.57)</u></b>	<b><u>(2.68)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>RMB</b>	2018 <b>RMB</b>
<b>Non-current assets</b>			
Plant and equipment		<b>9,415,745</b>	9,903,207
Intangible assets		<b>60,097,600</b>	–
Interest in an associate		–	1,018,248
Deposits paid for acquisition of non-current assets		<b>18,546,000</b>	18,546,000
Prepayments		–	225,790
Goodwill		<b>5,839,927</b>	–
Right-of-use assets		<b>3,408,457</b>	–
		<b>97,307,729</b>	29,693,245
<b>Current assets</b>			
Financial assets at FVTPL	<i>12</i>	<b>12,805,610</b>	16,357,613
Inventories		<b>4,151,380</b>	2,638,479
Trade receivables	<i>13</i>	<b>957,498</b>	937,317
Deposits, other receivables and prepayments		<b>5,717,200</b>	4,181,789
Bank balances and cash		<b>5,675,030</b>	6,893,833
		<b>29,306,718</b>	31,009,031
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>11,959,676</b>	7,858,713
Other payables, accrued charges and deposits received		<b>30,648,224</b>	10,010,565
Contract liabilities		–	20,818
Amounts due to shareholders		<b>42,000,000</b>	16,100,000
Bank and other borrowings		<b>1,724,882</b>	–
Lease liabilities		<b>2,509,837</b>	–
		<b>88,842,619</b>	33,990,096
<b>Net current liabilities</b>		<b>(59,535,901)</b>	(2,981,065)
<b>Net assets</b>		<b>37,771,828</b>	26,712,180
<b>Capital and reserves</b>			
Share capital		<b>169,762,900</b>	153,105,882
Reserves		<b>(135,066,756)</b>	(129,332,390)
<b>Equity attributable to owners of the Company</b>		<b>34,696,144</b>	23,773,492
Non-controlling interest		<b>3,075,684</b>	2,938,688
<b>Total equity</b>		<b>37,771,828</b>	26,712,180

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						Non-controlling interest	Total
	Share capital	Share premium	Statutory surplus reserve	Other Reserve	Accumulated losses	Sub-total		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 1 January 2018	153,105,882	115,390,048	16,153,228	15,856,279	(235,651,547)	64,853,890	2,825,885	67,679,775
Loss and total comprehensive expense for the year	-	-	-	-	(41,080,398)	(41,080,398)	112,803	(40,967,595)
<b>At 31 December 2018</b> (as previously reported)	<b>153,105,882</b>	<b>115,390,048</b>	<b>16,153,228</b>	<b>15,856,279</b>	<b>(276,731,945)</b>	<b>23,773,492</b>	<b>2,938,688</b>	<b>26,712,180</b>
Change in accounting standards	-	26,856,279	282,591	(15,856,279)	(11,282,591)	-	-	-
At 1 January 2019 (as restated)	153,105,882	142,246,327	16,435,819	-	(288,014,536)	23,773,492	2,938,688	26,712,180
Issue of shares	16,657,018	18,322,719	-	-	-	34,979,737	-	34,979,737
Loss and total comprehensive expense for the year	-	-	-	-	(24,057,085)	(24,057,085)	136,996	(23,920,089)
<b>At 31 December 2019</b>	<b>169,762,900</b>	<b>160,569,046</b>	<b>16,435,819</b>	<b>-</b>	<b>(312,071,621)</b>	<b>34,696,144</b>	<b>3,075,684</b>	<b>37,771,828</b>

Notes:

## 1. GENERAL

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

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

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

## 2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

Notwithstanding that the Group incurred a loss attributable to owners of the Company of RMB24,057,085 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of RMB59,535,901, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## 3. APPLICATION OF NEW AND REVISED CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“CASBE”)

In the current year, the Group has adopted CASBE, instead of Hong Kong Financial Reporting Standards (“HKFRS”), for the preparation of consolidated financial statements of the Group as the operations and assets of the Group are principally located in the PRC. There are no material impact on the financial figures of the change in accounting standards from HKFRS to CASBE, except for reallocation of reserves under the total equity.

The Group has applied the following new and revised CASBE in the current year:

Accounting Standards for Business Enterprises No. 21 – Leasing (Revised in 2018)

Accounting Standards for Business Enterprises No. 12 – Debt Restructuring

Accounting Standards for Business Enterprises No. 7 – Non-monetary Asset Exchange

Notice on Printing and Distributing the “Provisions on Pertinent Debt Related Accounting Treatment”

Notice of the Ministry of Finance on Revising and Issuing the Format of the Consolidated Financial Statements (2019 Edition)

## 4. REVENUE

Revenue represents revenue arising on sale of goods for the year. An analysis of the Group’s revenue for the year is as follows:

	<b>2019</b>	2018
	<b><i>RMB</i></b>	<i>RMB</i>
Sales of goods		
Antennas products	<b>1,891,512</b>	899,354
Underwater surveillance and related products	<b>135,643</b>	78,217
Unmanned aerial products	<b>(97)</b>	894,544
Construction related products	<b>29,287,824</b>	37,565,582
Agricultural products	<b>7,325,112</b>	4,677,325
	<b><u>38,639,994</u></b>	<u>44,115,022</u>

## 5. 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.

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; and
- Sales of agricultural products.

### 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 2019

	Sales of antennas products and related services <i>RMB</i>	Sales of underwater surveillance and related products <i>RMB</i>	Sales of unmanned aerial products <i>RMB</i>	Sales of construction related products <i>RMB</i>	Sales of agricultural products <i>RMB</i>	Total <i>RMB</i>
REVENUE						
External sales	<u>1,891,512</u>	<u>135,643</u>	<u>(97)</u>	<u>29,287,824</u>	<u>7,325,112</u>	<u>38,639,994</u>
Segment profit (loss)	<u>3,114,807</u>	<u>79,264</u>	<u>(179,152)</u>	<u>(234,962)</u>	<u>479,736</u>	3,259,693
Unallocated other revenue						467,768
Change in fair value of financial assets at FVTPL						(3,556,003)
Unallocated corporate expenses						(20,856,022)
Finance costs						<u>(3,213,765)</u>
Loss before tax						<u>(23,898,329)</u>

For the year ended 31 December 2018

	Sales of antennas products and related services <i>RMB</i>	Sales of underwater surveillance and related products <i>RMB</i>	Sales of unmanned aerial products <i>RMB</i>	Sales of construction related products <i>RMB</i>	Sales of agricultural products <i>RMB</i>	Total <i>RMB</i>
REVENUE						
External sales	<u>899,354</u>	<u>78,217</u>	<u>894,544</u>	<u>37,565,582</u>	<u>4,677,325</u>	<u>44,115,022</u>
Segment profit (loss)	<u>(27,624)</u>	<u>(107,631)</u>	<u>(12,264,274)</u>	<u>78,318</u>	<u>204,272</u>	(12,116,939)
Unallocated other revenue						627,267
Change in fair value of financial assets at FVTPL						(8,773,966)
Unallocated corporate expenses						(20,691,906)
Finance costs						—
Loss before tax						<u>(40,955,544)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, certain other revenue, change in fair value of financial assets at FVTPL, share of result of an associate and finance costs. This is the measure reported to the CODM of the Company for the purposes of the resource allocation and performance assessment.

### Segment assets and liabilities

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

#### Segment assets

	2019 <i>RMB</i>	2018 <i>RMB</i>
Sales of antennas products and related services	<b>90,386,380</b>	5,600,410
Sales of underwater surveillance and related products	<b>758,153</b>	799,033
Sales of unmanned aerial products	<b>1,123,257</b>	21,661,333
Sales of construction related products	<b>2,469,898</b>	1,258,518
Sales of agricultural products	<b>5,812,262</b>	4,140,456
Total segment assets	<b>100,549,950</b>	33,459,750
Unallocated assets	<b>26,064,497</b>	27,242,526
Consolidated total assets	<b>126,614,447</b>	60,702,276

## Segment liabilities

	2019	2018
	<i>RMB</i>	<i>RMB</i>
Sales of antennas products and related services	23,176,267	14,136,892
Sales of underwater surveillance and related products	70,390	62,069
Sales of unmanned aerial products	80,000	224,657
Sales of construction related products	17,644,981	1,567,330
Sales of agricultural products	954,918	88,511
	<hr/>	<hr/>
Total segment liabilities	41,926,556	16,079,459
Unallocated	46,916,063	17,910,637
	<hr/>	<hr/>
Consolidated total liabilities	<u>88,842,619</u>	<u>33,990,096</u>

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

- all assets are allocated to operating segments other than change in fair value of financial assets at FVTPL, goodwill, certain amounts due from related parties, 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 amounts due to shareholders and related parties, bank and other borrowings, and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment asset.

## 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		Non-current assets	
	external customers			
	2019	2018	2019	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
The PRC (country of domicile)	38,639,994	44,115,022	1,409,668	28,525,587
Other Asian countries excluding the PRC	–	–	95,898,061	1,167,658
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>38,639,994</u>	<u>44,115,022</u>	<u>97,307,729</u>	<u>29,693,245</u>



## 6. OTHER REVENUE

	2019	2018
	<i>RMB</i>	<i>RMB</i>
Bank interest income	–	26,903
Government grants	70,000	33,000
Liquidated damages	3,120,000	–
Net exchange gain	–	68,153
Other tax refund	706,626	–
Rental income	258,286	193,714
Sales of scrap materials	29,244	9,114
Waiver of trade and other payables	984,348	410,777
Others	55,500	6,138
	<u>5,224,004</u>	<u>747,799</u>

## 7. FINANCE COSTS

	2019	2018
	<i>RMB</i>	<i>RMB</i>
Bank charges	46,136	–
Bank interest income	(19,357)	–
Exchange differences	(19,445)	–
Interests on bank borrowings	3,084,798	–
Interest element under leases	121,633	–
	<u>3,213,765</u>	<u>–</u>

## 8. INCOME TAX EXPENSE

	2019	2018
	<i>RMB</i>	<i>RMB</i>
Current tax:		
PRC Enterprise Income Tax	21,760	12,051
Over-provision in prior years:		
Hong Kong	–	–
	<u>21,760</u>	<u>12,051</u>

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2019 and 2018 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.

## 9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	<b>2019</b>	2018
	<b>RMB</b>	<b>RMB</b>
Depreciation of plant and equipment	<b>2,850,071</b>	3,135,387
Amortisation of intangible assets	<b>14,820</b>	1,472,493
Auditor's remuneration	<b>630,000</b>	620,000
Staff costs:		
– Directors' and supervisors' emoluments	<b>2,695,401</b>	2,175,116
– Salaries, wages and allowances	<b>6,059,357</b>	6,723,954
– Retirement benefit scheme contributions (excluding directors and supervisors)	<b>769,870</b>	1,085,068
Total staff costs	<b>9,524,628</b>	9,984,138

## 10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

## 11. 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 RMB24,057,085 (2018: RMB41,080,398) and the weighted average number of 1,536,535,104 (2018: 1,531,058,824) 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 years ended 31 December 2019 and 2018.

## 12. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include:

	<b>2019</b>	2018
	<b><i>RMB</i></b>	<i>RMB</i>
Trading securities		
– Equity securities listed in the PRC	<b><u>12,805,610</u></b>	<u>16,357,613</u>

## 13. TRADE RECEIVABLES

	<b>2019</b>	2018
	<b><i>RMB</i></b>	<i>RMB</i>
Trade receivables	<b>8,920,816</b>	51,741,380
<i>Less:</i> allowance for impairment loss	<u><b>(7,963,318)</b></u>	<u>(50,804,063)</u>
	<b><u>957,498</u></b>	<u>937,317</u>

In general, the Group allows a credit period ranging from 5 to 240 days (2018: 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.

	<b>2019</b>	2018
	<b><i>RMB</i></b>	<i>RMB</i>
Within 60 days	<b>92,010</b>	598,217
61 to 120 days	<b>641,652</b>	26,040
121 to 180 days	–	–
181 to 365 days	<b>7,500</b>	313,060
1 to 2 years	<b>205,336</b>	–
2 to 3 years	<u><b>11,000</b></u>	<u>–</u>
	<b><u>957,498</u></b>	<u>937,317</u>

#### 14. TRADE PAYABLES

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

	<b>2019</b>	2018
	<b><i>RMB</i></b>	<i>RMB</i>
Within 60 days	<b>9,754,719</b>	21,873
61 to 120 days	<b>306,970</b>	–
121 to 180 days	<b>9,000</b>	–
181 to 365 days	<b>190,170</b>	578,315
1 to 2 years	<b>28,597</b>	7,258,525
2 to 3 years	<b>369,530</b>	–
Over 3 years	<b>1,300,690</b>	–
	<b><u>11,959,676</u></b>	<b><u>7,858,713</u></b>

The average credit period on purchases of goods is 90 days (2018: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

#### 15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019 on 12 March 2020, 200,000,000 Domestic Shares were allotted and issued to the subscribers under specific mandate which was approved by the extraordinary general meeting on 19 March 2018 (more particularly described in the circular of the Company dated 2 February 2018). The share capital of the Company immediately after the allotment and issue of 200,000,000 Domestic Shares is increased from 1,697,629,000 shares to 1,897,629,000 shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE

Revenue recorded for the year ended 31 December 2019 was approximately RMB38.64 million, representing a decrease of over 12% from approximately RMB44.12 million for the year of 2018. During the year, the Group mainly operated in 5 reportable and operating 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, and sales of agricultural products.

#### **Sales of antenna products and related services**

The year of 2019 was the very first year for the 5G commercial use. As such, the Company mainly focused on the business of mobile communication products in the past year. While the Company was developing 4G related businesses, namely network planning, network optimisation and network construction, it also launched marketing campaigns for the new high-end antenna products under a series of artificial dielectric lens (人工介質透鏡天綫系列產品) (the “Antenna Products”) applicable to 5G. In the first half of the year, the Company promoted and displayed the Antenna Products through various exhibitions relating to communication industry and communication forums, in addition to taking steps to pitch the Antenna Products to various operators and to conduct related testing, and followed by live network testing on the Antenna Products carried out by the Company with the operators in various scenarios. The test results were highly satisfactory that garnered wide recognition among the operators. Nevertheless, as the major operators were yet to proceed to large-scale network construction in 2019, relevant income to be derived from the Antenna Products has hitherto not contributed to the Company.

Accordingly, revenue from the operating segment of sales of antenna products and related services slightly increased to approximately 5% for the year, which was mostly come from 4G antenna products.

#### **Sales of underwater surveillance and related products**

As for a series of products in marine engineering equipment, the Company analysed its overall product performance and market situation in 2019. The markets for product application had been expanding by means of enhancement of product structure, product performance and product application effects. The Company continued to develop in a proactive approach for multi-series marine equipment products which were applicable to fire rescue, detection in deep water and polar environment, and radar detection; and it gradually developed new markets in deep water industry, such as reservoirs and seaports.

Revenue from the operating segment of underwater surveillance and related products was less than 1% as most of resources was allocated to the improvement of existing products and development of new products during the year in order to enhance the communication capacity to 5G technologies.

### **Sales of unmanned aerial products**

Given drone products are not reaching the stage of mass production and sales at present, this segment was yet to generate sales income in 2019. In response to market demand, the Company continues to optimise the product performance and to accelerate the finalisation of this series of products which is expected to be launched on the market as soon as possible.

Therefore, no revenue was generated from the operating segment of sales of unmanned aerial products during the year as the product improvement was still undertaken.

### **Sales of construction related products**

Relying on certain preferential policies in Shanghai Free Trade Zone, building materials trading launched steadily since 2016. As there were specific requirements for building materials by different customers and building materials were sensitive to price fluctuation, all sales and purchases were conducted in back-to-back trading in order to minimise inventory risk and price fluctuation risk. The Group also adopted low gross profit margin policy to improve turnover rate of trading products during the year. There was no significant change in operations during the year.

During the year, trading products mainly consisted of aluminium ingots which was accounted for approximately 76% of revenue of the Group. Approximately RMB29.29 million was recognised as revenue during the year, representing merely 78% of revenue generated in 2018, because relatively high price fluctuation was sustained during the year.

### **Sales of agricultural products**

For the agricultural and sideline products, the Company made steady development through Hailan Natural Agriculture Development Co., Ltd.\* (海蘭天然農業開發有限公司) in Yi County of Hebei Province in 2019. This segment added more income to the Group in 2019 as a double harvest of corporate profits and active fulfilment of social responsibilities was achieved. Subsequently, leveraging the policies and geographical advantages in the navy fixedpoint poverty alleviation village, and combined with existing social reputation effects, the Group expanded the markets of agricultural and sideline products through various communication channels, thereby creating more collaboration opportunities and improving the sales performance of the Group.

In addition to a good market response, the business achieved profitability during the year. Revenue generated from trading of agricultural products was approximately 19% during the year, comparing to approximately 11% of revenue in 2018.

No revenue was recorded for overseas markets during the year.

## **GROSS PROFIT**

Gross profit of approximately RMB0.97 million was recorded for the year with gross profit margin of approximately 2.51%, representing an increase of 0.67% as when comparing to gross profit margin of approximately 1.84% in 2018. It was mainly attributable to greater profit generated from the operating segment of sales of agricultural products.

## **OTHER REVENUE**

Approximately RMB5.22 million was recorded as other revenue in 2019, representing approximately 699% of other revenue in 2018, of which approximately RMB3.12 million was received as liquidated damages from a supplier due to failure of required technical specifications of products and RMB0.98 million was realised as gain on debts restructuring in respect of waiver of trade and other payables during the year.

## **SEGMENT RESULTS**

Distribution costs for the year were raised from approximately RMB0.42 million in 2018 to approximately RMB0.69 million, representing an increase of approximately 64%, as approximately RMB0.27 million was incurred as technical service fees for the operating segment of sales of antenna products and related services.

Reversal of impairment loss on trade receivables of approximately RMB1.32 million was recorded for the receipts from impaired debts. The accumulated impairment loss on trade receivables was approximately 89% of total trade receivables at 31 December 2019 and approximately 77% of trade receivables was past due within one year but not impaired. Recoverability of those impaired trade receivables of approximately RMB7.96 million would be seriously considered, and the process and action for debts recovery would be scheduled to begin subsequently.

Approximately RMB3.53 million was recognised as further impairment loss on deposits, other receivables and prepayments and approximately RMB3.38 million was reversed during the year.

After allocation of a) government grants, gain on debts restructuring, other tax refund and liquidated damages received under other revenue; b) distribution costs; c) loss on debts restructuring, research and development costs, loss on disposal of plant and equipment, depreciation and amortisation expenses under administration expenses; and d) impairment loss on inventories, trade receivables, deposits, other receivables and prepayments recognised and reversed, except for the operating segments of sales of unmanned aerial products and sales of construction related products, segment profits were reported for all other operating segments. It was attributable to no sales were recognised for unmanned aerial products, and the sales volume of low profit margin construction related products was not sufficient to cover the existing operating costs.

## **OTHER COSTS AND EXPENSES**

Administrative expenses were increased from approximately RMB22.20 million in 2018 to approximately RMB22.78 million for the year, representing an increase of approximately 3%. Generally, the overall expenses were kept in strict control with decrease in amounts utilised. Approximately RMB1.02 million was incurred for legal and professional services in respect of full acquisition of an associate during the year.

Interest expenses of approximately RMB3.08 million were incurred by the short-term borrowings which were for operation purposes. Approximately RMB0.12 million was regarded as the interest element of payment under operating leases.

Loss on fair value changes of financial assets at fair value through profit and loss of RMB3.56 million was recorded in respect of listed equity securities held as the result of drop in market price at 31 December 2019. Accordingly, the fair value of financial asset at fair value through profit and loss at 31 December 2019 was approximately 36% lower than the original acquisition costs.

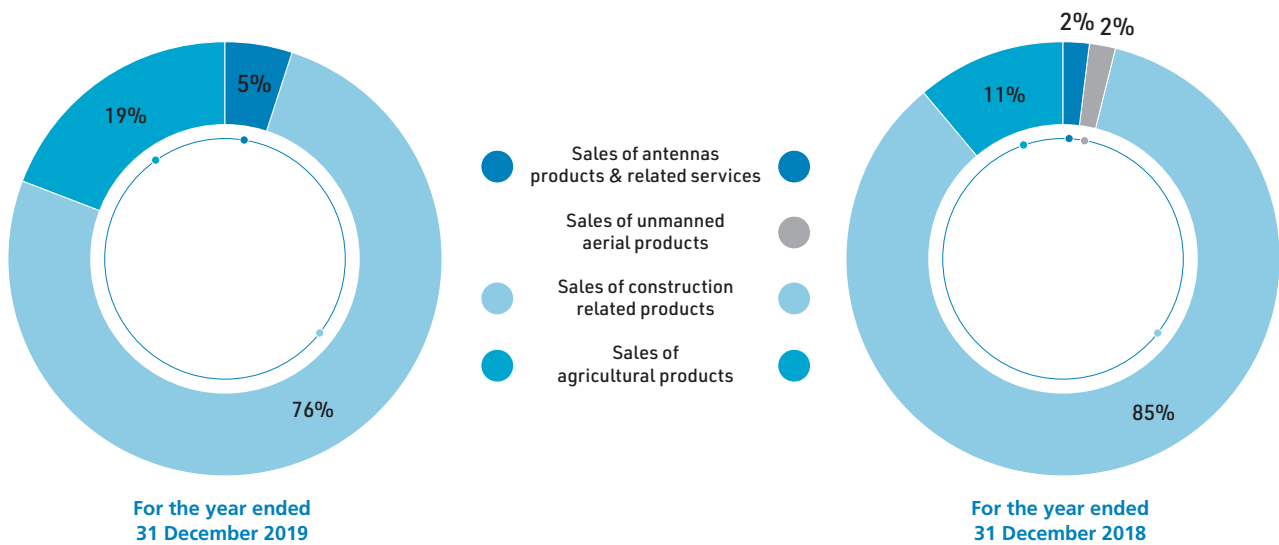
In order to enhance the research and development of new technologies for 5G antenna products, the Group invested in an associate since 2018 and the associate was become a wholly-owned subsidiary in December 2019. Accordingly, loss of approximately RMB1.03 million was recognised as a share of result of the associate as its full production would be began in the year of 2020.



## LOSS FOR THE YEAR

As the sales of 5G products was not commenced and the operating segments of sales underwater surveillance and related products and sales of unmanned aerial products had low revenue, together with loss on fair value changes of financial assets at fair value through profit and loss, loss of approximately RMB23.92 million was reported for the year, which was approximately 42% less than loss of approximately RMB40.97 million reported in 2018.

Composite of Group's revenue by reportable and operating segments for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, are provided as follows:



## PROSPECTS

In 2020, based on the new artificial dielectric lens series of antenna product which has currently been researched and developed and launched to the market, the Group will continue to proactively seize the favourable opportunities brought by the commercialisation of 5G according to the needs of market development and carry out research and development and marketing work of relevant products centring mobile communication industry.

According to the work planning of departments including Ministry of Industry and Information Technology (MIIT) of the PRC as well as the 5G commercialisation plan of the major operators in the PRC, 2020 will embark on the large-scale construction stage of 5G communication. As such, the major task of the Company in 2020 is still to proactively grasp the 5G market. The Group will continue to enhance its investment in research and development on the basis of the successfully developed new artificial dielectric lens multi-beam series of antenna with constant increase in talent and capital support and continue to develop a series of antennas products in different frequency bands and with new materials which are characterised by new broadband, multiple-beam, high gain and full-angle coverage and could be widely used in a variety of industries including 5G mobile communication, wireless local area network (W-LAN), unmanned vehicles, automotive electronics, internet of things (IoTs) and smart city, and for many purposes, in order to comprehensively enrich and perfect mobile communication related product series, and strengthen the core competitiveness of the Company in the mobile communication era.

Meanwhile, in 2020, the Company will continue to focus on the relevant work of enhancing network optimisation and network construction centring “the expansion of wireless network coverage, conservation of user cost, enhancement of service quality of network business and enrichment of user experience” and devote its greatest effort in the “skip-stop and close-stop” technique product specialised by the Company in order to ensure that the Group can snatch pre-emptive opportunities in the market in respect of mobile communication business and thereby create greater benefits for the Group.

In addition, the Company will continue the synergistic development of other businesses including aviation and aerospace, marine system engineering, trading and agricultural products, etc. and continue to enhance its investment in research and development of aviation and aerospace and marine system engineering as well as the communication and cooperation with domestic and overseas renowned technology research and development corporations, so as to build a brand structure with diversity development focusing on communication for the Group.

With regard to the capital required for the future development of the Group, in addition to bank borrowings and revitalising existing assets, the Group will also carry out financing when appropriate through additional issuance of new shares and issuance of bonds. The Group will closely follow the domestic capital market, particularly the new policies published by the China Securities Regulatory Commission (CSRC) and the two stock exchanges in Shanghai and Shenzhen, and explore new financing channels based on the development of its own businesses. The Board and the 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 the year, the Group was mainly financed by funds generated from operations, issue of shares, short-term borrowings, and lease liabilities under right-of-use assets. The short-term borrowings were mainly for daily operations and the lease liabilities were solely used for financing those assets and services under operating leases of the Group during the year. As at 31 December 2019, the Group had the short-term borrowings of approximately RMB1.72 million which were repayable within one year, and the lease liabilities of approximately RMB2.51 million which were classified in accordance with the lease terms.

During the year, the interest-bearing borrowings borne interest rates from 1% to 12% per annum and the lease liabilities borne interest rate of 12% per annum. Majority of debts for operations were denominated in RMB during the year. Details of policy in respect of interest rate risk and foreign currency risk are disclosed in notes to the consolidated financial statements, the Directors consider that exposure to interest rate risk and foreign currency risk was minimal.

As at 31 December 2019, the gearing ratio of the Group was approximately 12.21% (2018: not applicable as no interest-bearing borrowings), which is calculated based on the sum of total interest-bearing borrowings and lease liabilities over the equity attributable to owners of the Company. Details of changes in equity of the Group are disclosed in the consolidated statement of changes in equity and the structure of share capital is disclosed in notes to the consolidated financial statements.

## **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 notes to the consolidated financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

## SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, interest in an associate and financial assets at fair value through profit or loss disclosed in notes to the consolidated financial statements respectively, the Group did not hold any significant investment for the year ended 31 December 2019.

Details of financial assets at fair value through profit or loss are as follows:

As at 31 December 2019, an aggregate of 5,080,004 ordinary shares (“Cloud Live Shares”) of nominal value of RMB1 each in the issued share capital of Cloud Live Technology Group Co., Ltd.\* (中科雲網科技集團股份有限公司) (“Cloud Live”) were held by the Group, representing approximately 0.64% of the total issued share capital of Cloud Live, and the fair value of Cloud Live Shares was approximately RMB12.81 million, representing approximately 10% of total assets of the Group. Comparing to the aggregate consideration for the acquisition of Cloud Live Shares of approximately RMB20.01 million, an accumulated loss arising on change in fair value of financial assets at fair value through profit or loss of approximately RMB7.20 million was recognised. Mr. Chen Ji, an executive Director, and Ms. Huang Jing, a non-executive Director, are the directors of Cloud Live, and Mr. Chen Ji and his associates directly and indirectly held approximately 23.81% of the total issued share capital of Cloud Live.

According to the published financial information of Cloud Live, net loss for the year ended 31 December 2019 and net assets as at 31 December 2019 attributable to the owners was approximately RMB35.74 million and RMB9.31 million respectively (2018: net profit of approximately RMB8.03 million and net assets of approximately RMB23.81 million respectively). No dividend was declared by or received from Cloud Live, but approximately RMB3.56 million was recognised as net loss arising on change in fair value of financial assets at fair value through profit or loss during the year of 2019.

Cloud Live is a joint stock limited company established in the PRC and its shares are listed on the Shenzhen Stock Exchange (002306.SZ). Cloud Live is principally engaged in group catering business in Beijing, Zhengzhou and Wuxi. In order to strengthen the management and control of existing group catering business, actively develop new group catering project and expand the scope of operation, effective cost control measures and improvements in product quality and food safety would be the main objective of Cloud Live in the foreseeable future. At the same time, Cloud Live actively considers different financing channels including restructuring, mergers and acquisitions to implement further development.

The Directors consider that the investment in Cloud Live has good growth potential and will create reasonable return to the Group due to the potential improvement in operating results and increment in net assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the year, the Company issued 166,570,176 domestic shares of the Company to acquire approximately 91.43% equity interest in an associate, Suzhou Haitian New Antenna Technologies Co., Ltd.\* (蘇州海天新天綫科技有限公司), which therefore became a wholly-owned subsidiary of the Group. Accordingly, loss of approximately RMB1.03 million was accounted for share of result of an associate.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2019, the Group had 73 (2018: 52) full-time employees. Total staff costs for the year of 2019 amounted to approximately RMB9.52 million (2018: RMB9.98 million), including remuneration of the Directors and members of the supervisory committee (the “Supervisors”). All employees of the Group are eligible to participate in the defined contribution retirement schemes required by the law. The Group reviews employee remuneration from time to time and the increments 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. 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. A comprehensive career development programme is launched for all employees which provides diversified part-time training opportunities in accordance with the needs of their positions and specialities. Details of remuneration of the Directors, Supervisors and senior management by band are disclosed in notes to the consolidated financial statements.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2019, no assets of the Group were pledged for its operations and liabilities.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

As at 31 December 2019, the Group had no material capital expenditure contracted for but not provided in the consolidated financial statements.

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

## **CONTINGENT LIABILITIES**

As at 31 December 2019, except for those disclosed in notes to the consolidated financial statements, the Group did not have any material contingent liabilities.

## UTILISATION OF NET PROCEEDS FROM EQUITY FUND RAISING ACTIVITIES

During the year ended 31 December 2019, 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

#### *Particulars of issue (more particularly described in the announcement of the Company dated 19 August 2016)*

Date of issue:	19 August 2016
Closing price per H share:	HK\$0.285 as quoted on date of issue
Subscription price per H share:	HK\$0.25 (a discount of approximately 12.28% to the closing price per H Share)
Subscribers:	Auspicious Zone Investments Limited, Clear Renown Global Limited and Oceanic Bliss Holdings Limited

Intended use of net proceeds	Approximate amount of net proceeds raised (million)	Approximate amount of net proceeds utilised			Approximate amount of net proceeds unutilised (million)
		Previously utilised (million)	Utilised during the year (million)	Total utilised (million)	
Repayment of bank loans and interest expenses	HK\$6.10	HK\$6.09	HK\$0.01	HK\$6.10	HK\$0.00
Working capital of the Group	HK\$16.40	HK\$15.94	HK\$0.46	HK\$16.40	HK\$0.00
<b>Total</b>	<b>HK\$22.50</b>	<b>HK\$22.03</b>	<b>HK\$0.47</b>	<b>HK\$22.50</b>	<b>HK\$0.00</b>

The net proceeds were fully utilised without material delay and change of the proposed use.

## Issue of 200,000,000 domestic shares under specific mandate

### *Particulars of issue (more particularly described in the circular of the Company dated 2 February 2018)*

Date of subscription agreements: 10 October 2017

Closing price per H share: HK\$7.400 as quoted on date of subscription agreements

Subscription price per domestic share: RMB0.21 (equivalent to approximately HK\$0.248, representing a discount of approximately 96.65% to the closing price per H Share)

Subscribers: Shanghai Gaoxiang Investment Management Company Limited\* (上海高湘投資管理有限公司), Mr. Xiao Bing (肖兵先生), Ms. Jin Rongfei (金嶸霏女士) and Mr. Zhang Jiandong (張建東先生)

Proposed use of net proceeds	Approximate amount of net proceeds raised – original (million)	Approximate amount of net proceeds raised – after reallocation (million)	Approximate amount of net proceeds utilised		Approximate amount of net proceeds unutilised (million)
			Utilised during the year (million)	Total utilised (million)	
The research and development, trial production, production, marketing and general working expenses of new models of antennas including antennas manufactured by the use of new materials, WIFI antennas and 5G antennas	RMB30.00	RMB39.10	RMB39.10	RMB39.10	RMB0.00
The research and development, trial production, production, marketing and general working expenses of heavy-lift unmanned gyroplane and mini commanding and monitoring unmanned gyroplane	RMB10.00	RMB1.40	RMB1.39	RMB1.39	RMB0.01
The research and development, trial production, production, marketing and general working expenses of underwater surveillance equipment	RMB1.00	RMB0.50	RMB0.50	RMB0.50	RMB0.00
<b>Total</b>	<b>RMB41.00</b>	<b>RMB41.00</b>	<b>RMB40.99</b>	<b>RMB40.99</b>	<b>RMB0.01</b>

Although the subscription price was fully received by the Company, 200,000,000 domestic shares were not allotted and issued to the subscribers during the year as the required documents and procedures were completed on 12 March 2020.

In June 2019, The Ministry of Industry and Information Technology of the PRC has granted 5G licences for commercial use to China Telecom, China Mobile, China Unicom and China Broadcast Network, which introduced the official commercial use of the 5G technology in the PRC. The mobile communication industry has been widely recognised as one of the markets with largest and fastest growth in the next few years. It is expected that mobile communication operators will start large-scale network construction in 2020. Leveraging on the artificial medium lens multi-beam antenna (人工介質透鏡多波束天線) products of the Group following the acquisition of Suzhou Haitian New Antenna Technologies Co., Ltd.\* (蘇州海天新天綫科技有限公司) in December 2019, the Group would actively seize the substantial opportunities in the 5G market. The Group would fully integrate its resources, and make full use of its operation and production experience and sales network in the communications industry to promote the mobile communication antenna products. At the same time, the Group would continue to develop a series of new materials antenna products in different frequency bands that can be widely used in 5G mobile communication, W-LAN and other industries and scenarios. With a view to accommodating the Group's development and strategies and meeting the needs of its production and operation, the Board had resolved on 26 December 2019 to reallocate the net proceeds raised for proposed use as the above.

Due to the change of market condition and reallocation of net proceeds, approximately RMB40.99 million was utilised during the year, compared to approximately RMB32.68 million to be utilised for the proposed use in the first year. The unutilised amount would be used in the second year without material delay and change of proposed use.

## **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 2019.

### **Code of conduct for securities transactions by Directors**

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.



## 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 Professor Lei Zhenya and Ms. Huang Jing, with the majority being independent non-executive Directors.

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

During the financial year ended 2019, 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 Audit Committee has reviewed the preliminary financial results of the Group for the year ended 31 December 2019.

The Audit Committee has confirmed that the consolidated financial statements of the Group were prepared in accordance with CASBE without significant and material departure. After discussion and consultation with the Group's auditor, further review and assessment would be carried out during the audit process and adjustments to annual financial results may be considered for the followings:

- Comparative figures may be subject to reclassification, but without material restatement, due to the change of accounting standards from HKFRS to CASBE.
- Based on subsequent settlement and arrangement, the trade receivables of approximately RMB0.96 million, and the deposits, other receivables and prepayments of approximately RMB5.72 million may be subject to further impairment loss.
- Fair value of the goodwill arising on acquisition of an associate during the year of approximately RMB5.84 million may be adjusted in accordance with valuation results.
- Discounting rate used for the valuation of the right-of-use assets of approximately RMB3.41 million and the lease liabilities of approximately RMB2.51 million may be subject to changes after assessment on expected credit loss of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

## **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 2019 and as at the date of this announcement.

## **DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed in the paragraph headed "Connected Transactions" and except for Directors' and Supervisors' service contracts, 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.

## **CONNECTED TRANSACTIONS**

During the year, the Company has undertaken and/or approved significant and discloseable connected transactions with connected persons of the Company (as defined under the GEM Listing Rules) as follows:

On 9 December 2019, the shareholders of the Company approved to issue 166,570,176 Domestic Shares at RMB0.21 per share, being approximately RMB34.98 million, to acquire approximately 91.43% equity interest in an associate, Suzhou Haitian New Antenna Technologies Co., Ltd.\* (蘇州海天新天綫科技有限公司) ("Suzhou Haitian"), which was held as to approximately 86.43% by Xi'an Xiao's Antenna Technologies Co., Ltd.\* (西安肖氏天綫科技有限公司) ("Xiao Antenna") and approximately 5.00% by Mr. Liao Kang (廖康先生). Xiao Antenna is beneficially owned as to 70.00% by Professor Xiao Liangyong (肖良勇教授) and 30.00% by Mr. Chen Jing (陳靜女士) who are the father and the spouse of Mr. Xiao Bing, an executive Director and chairman of the Board, respectively. Xiao Antenna is therefore a connected person of the Company under the GEM Listing Rules (more particularly described in the circular of the Company dated 25 October 2019).

On 20 December 2019, the relevant 166,570,176 Domestic Shares were issued to complete the acquisition of Suzhou Haitian and Suzhou Haitian became a wholly-owned subsidiary of the Group.

## **PRELIMINARY ANNOUNCEMENT OF THE RESULTS AND SCOPE OF WORK OF AUDITOR**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been reviewed and agreed by the Audit Committee without any disagreement.

Due to the travel restrictions related to the outbreak of severe respiratory disease associated with a novel inflections agent, the audit work has not yet been completed by the Group's auditor, SHINEWING Certified Public Accounts LLP, at the date of this announcement that this preliminary annual results announcement for the year ended 31 December 2019 have not been agreed with the Group's auditor.

The expected date that the annual results may be agreed with the Group's auditor would be 17 April 2020 and further announcement would be published by the Company as and when appropriate. Accordingly, the audited annual report is proposed to be delivered to the shareholders of the Company on 24 April 2020.

By order of the Board  
**Xi'an Haitian Antenna Technologies Co., Ltd.\***

**Xiao Bing**  
*Chairman*

Xi'an, the PRC, 31 March 2020

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

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

\* For identification purpose only