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)

2019

ANNUAL REPORT

* for identification purposes only

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Contents

Corporate Information

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Ms. Huang Jing（黃婧女士）

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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）

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Dear shareholders,
I am pleased to present the annual report of Xi'an Haitian Antenna Technologies Co., Ltd.* together with its subsidiaries (the "Group") for the year ended 31 December 2019 on behalf of the board of Directors (the "Board").

With the arrival of the first year of 5G in 2019, the Group seized the opportunities and took on the challenges, thereby achieved fruitful results in the field of mobile communication antenna products. It not only actively researched and developed new antenna products under a series of artificial dielectric lens（人工介質透鏡系列天綫產品）characterised by energy saving, green, broadband, high gain, light weight and multi-user intervention, but also applied for a number of patents. Meanwhile, leveraging the materials of new artificial dielectric lens（人工介質透鏡）, we have carried out research and development of new mobile communication antenna products geared to different industries and various areas, constantly diversifying the communication products of the Group.

By virtue of such research and development results, the Company has been collaborating with three major domestic mobile communication operators and other related communication operation enterprises to repeatedly conduct large-scale field network tests, and has successively cooperated in related domestic and overseas projects. In addition to the domestic market, the Company has also initiated business expansion of related mobile communication in Southeast Asia. It has, in the meantime, strengthened communication and collaboration with overseas markets through its Hong Kong subsidiary in order to launch more mobile communication business, paving the way for overall market expansion and gradually building the network landscape of new mobile communication products under "Haitian Antenna".

The Group has also concurrently maintained an advancement, both synergistically and sequentially, in businesses such as aerospace, marine system engineering and agricultural trade. In terms of aerospace business, the Group will continue to promote and upgrade the application of heavy-lift drones technology. For marine system engineering, the Group is working out widely used deep water detection systems and radar detection products through keen research and development, and is also constantly tapping into product markets. As to trading, with the edges of the location of the Shanghai Free Trade Zone and years of management and operation, we have established a sophisticated foreign trade service system and stable customer trade relations. In the future, the Group will continue to conduct business exchanges and cooperation in various aspects to create extra value and in turn further extend our strengths.

In addition, in the second half of 2019, the Group successfully acquired a total of 91.43% shareholding in Suzhou Haitian New Antenna Technologies Co., Ltd.*（蘇州海天新天綫科技有限公司）("Suzhou Haitian"), making it a wholly-owned subsidiary of the Group. This will provide the Group with a solid and reliable guarantee to seize 5G business opportunities, further expand its market share in the field of mobile communications, and rapidly and steadily augment the capabilities of the Group. The Group believes that through this acquisition, the business structure of the Company in respect to mobile communication products will be further optimised that the results of the Group will show significant improvement, its comprehensive strength will be steadily intensified, and its corporate influence will be greatly enhanced.

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 loyalty, the Group will be dedicated to reaping prominent returns for our investors.

Xiao Bing
Chairman

Xi'an, the PRC
17 April 2020

Management Discussion and Analysis

OPERATING REVENUE

Revenue recorded for the year ended 31 December 2019 was approximately RMB39.16 million, representing a decrease of approximately 12% from approximately RMB44.46 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 unmanned aerial 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 RMB29.32 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 fixed-point 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 RMB1.37 million was recorded for the year with gross profit margin of approximately 3.49%, representing an increase of 1.05% as when comparing to gross profit margin of approximately 2.44% in 2018. It was mainly attributable to greater profit generated from the operating segment of sales of agricultural products.

OTHER INCOME AND NON-OPERATING REVENUE

Approximately RMB5.89 million was recorded other income and non-operating revenue in 2019, representing approximately 1,317% of 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 RMB1.03 million was realised as gain on debts restructuring in respect of wavier of trade and other payables during the year.

SEGMENT RESULTS

Selling expenses 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 accounts receivable of approximately RMB0.88 million was recorded for the receipts from impaired debts. The accumulated impairment loss on accounts receivable was approximately 90% of total accounts receivable at 31 December 2019 and approximately 89% of accounts receivable was past due within one year but not impaired.

Approximately RMB0.24 million was reversed for impairment loss on other receivables and advance payments during the year.

After allocation of a) grants received, gain on debts restructuring, other tax refund and liquidated damages received; b) selling expenses; c) loss on debts restructuring, research and development costs, loss on disposal of plant and equipment, depreciation and amortisation expenses; and d) impairment loss on account receivables, other receivables and advance payments 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 approximately RMB20.23 million in 2018 to approximately RMB21.40 million for the year, representing an increase of approximately 6%. 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 RMB0.10 million was regarded as the interest element of payment under operating leases.

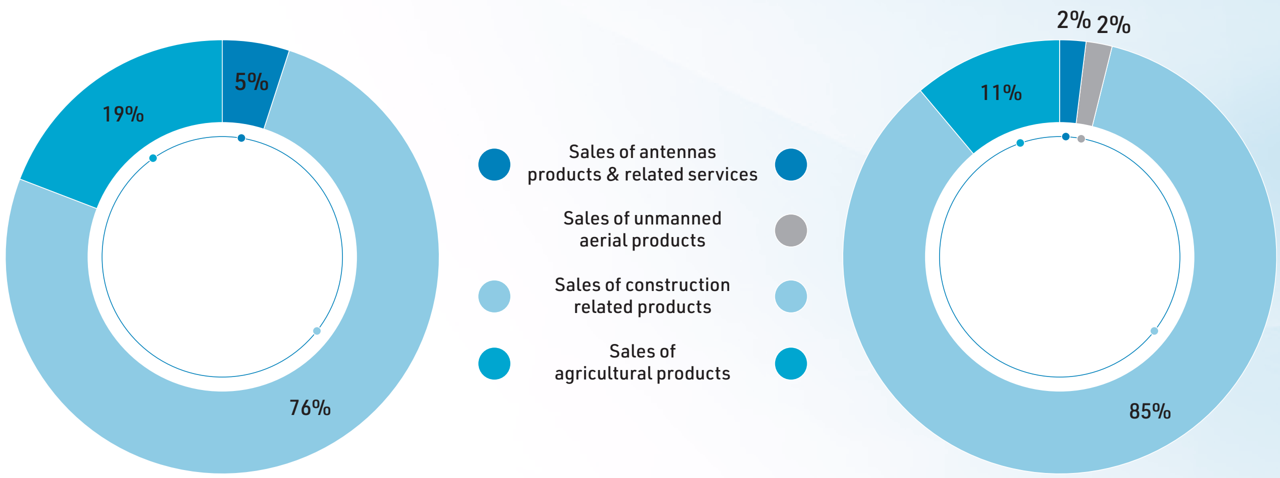
Loss on fair value changes of financial assets at fair value through profit and loss of RMB3.56 million was recorded in respect of listed equity securities held as the result of drop in market price at 31 December 2019. Accordingly, the fair value of financial asset at fair value through profit and loss 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 RMB1.04 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 RMB23.98 million was reported for the year, which was approximately 41% 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:



For the year ended
31 December 2019

For the year ended
31 December 2018

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.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2019, sales to the top five customers and the largest customer accounted for approximately 80.55% (2018: 95.76%) and 61.25% (2018: 47.40%) respectively of the Group's revenue.

For the year ended 31 December 2019, purchases from the top five suppliers and the largest supplier accounted for approximately 76.98% (2018: 77.08%) and 36.72% (2018: 33.04%) respectively of the Group's total purchases.

During the year ended 31 December 2019, 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.

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 RMB2.24 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 7.13% 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 exchange risk are disclosed in note IX to the consolidated financial statements, the Directors consider that exposure to interest rate risk and foreign exchange risk was minimal.

As at 31 December 2019, the gearing ratio of the Group was approximately 11.44% (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 shareholders equity of the annual report and the structure of share capital is disclosed in note VI to the consolidated financial statements.

Cash and cash equivalents decreased approximately from RMB6.89 million to RMB5.68 million. As at 31 December 2019, no bank deposit was pledged to secure any operations and liabilities of the Group.

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 exchange risk are disclosed in note IX 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 and loss disclosed in notes XI and VI 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 10.22% 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, approximately RMB1.04 million was accounted for share of result of an associate for the year of the Group.

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 RMB9.93 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 note XI 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 note XVI 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: Previously utilised (million)	Utilised during the year (million)	Total utilised (million)	Approximate amount of net proceeds unutilised (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
Total	**HK$22.50**	**HK$22.03**	**HK$0.47**	**HK$22.50**	**HK$0.00**

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: Utilised during the year (million)	Approximate amount of net proceeds utilised: Total utilised (million)	Approximate amount of net proceeds unutilised (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
Total	**RMB41.00**	**RMB41.00**	**RMB40.99**	**RMB40.99**	**RMB0.01**

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.

At the time when the subscription agreements were signed, the issue of new domestic shares must be approved by the Department of Commerce of Shaanxi Province*（陝西省商務廳）(the "Commerce Department") and then registered with the Department of Industry and Commerce of Xi'an*（西安市工商行政管理局）(the "Industry and Commerce Department") (the "Original Regulations"). After obtaining shareholders' approval to issue new domestic shares on 19 March 2018, the Company applied to the Commerce Department for approval in accordance with the Original Regulations, but it was informed that the Original Regulations had been changed. Under the new regulations, the issue of new domestic shares of the Company must first be registered with the Industry and Commerce Department and then filed with the Commerce Department (the "2018 Regulations"). Since the subscription agreements were signed under the Original Regulations, the Company could not obtain notice to proceed the registration in accordance with the Original Regulations or the 2018 Regulations. Therefore, the Company and the subscribers reached an agreement in June 2018 in which all parties agreed to extend the subscription agreements until the approval and registration procedures are clear.

At the end of 2018, the Industry and Commerce Department adopted the principle of territorial management, and the institution for the issue of new domestic share registration was changed from the Industry and Commerce Department to the Hi-tech Industrial Development Zone Division of the Industry and Commerce Department (the "Hi-tech Division"). The handover of registration was completed in June 2019, the Hi-tech Division officially began to accept the registration in accordance with the 2018 Regulations, however the Company still failed to obtain a clear notice.

At the end of 2019, the Ministry of Commerce of the People's Republic of China*（中華人民共和國商務部）issued new regulations, under which the completion of the issue of domestic shares is only required to be filed with the Hi-tech Division (the "2019 Regulations"), and the Company was notified that the new domestic shares could be issued and then filed in accordance with the 2019 Regulations. Accordingly, the Company completed the issue of new domestic shares in accordance with the 2019 Regulations 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.

THE BOARD OF DIRECTORS

Composition and function

The composition of the Board reflects the necessary balance of skills, knowledge 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, diversity of perspectives and time commitment 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. Every newly appointed Board member have received a comprehensive, formal and tailored induction on appointment.

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.

As at 31 December 2019, the Board comprised eleven Directors including Mr. Xiao Bing (chairman) and Mr. Chen Ji (vice-chairman) as executive Directors, Mr. Sun Wenguo, 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 Professor Lei Zhenya 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.

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 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 and compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of the Directors and senior management, 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 2019, 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 management, 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 management 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 the management should report back and obtain prior approval before implementation, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The separate roles of chairman and chief executive officer

For the financial year ended 31 December 2019, 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 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 2019, the Board held 15 meetings.

Details of Directors' attendance records in 2019:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Xiao Bing	15/15	2/2
Mr. Chen Ji	15/15	2/2
Non-Executive Directors		
Mr. Sun Wenguo	15/15	0/2
Mr. Li Wenqi	15/15	2/2
Mr. Zuo Hong	15/15	2/2
Ms. Huang Jing	15/15	2/2
Mr. Yan Weimin	15/15	0/2
Independent Non-Executive Directors		
Mr. Zhang Jun	15/15	0/2
Professor Shi Ping	15/15	2/2
Mr. Tu Jijun	15/15	1/2
Professor Lei Zhenya	15/15	0/2

Continuous professional development

All Directors are required 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 2019 according to the records provided by the Directors is as follows:

	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Xiao Bing	✓
Mr. Chen Ji	✓
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	✓
Professor Lei Zhenya	✓

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.

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 including 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, profitability, goals and objectives, as well as industry practice. The committee also discusses with the chairman about the remuneration proposals for other executive Directors and 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 3 meetings in 2019 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	3/3
Independent Non-Executive Directors	
Professor Shi Ping	3/3
Mr. Tu Jijun	3/3

During the financial year ended 2019, 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 the Board Diversity Policy, assessing independence of independent non-executive Directors, identifying individuals suitably qualified to become Board members, and making recommendations to the Board on any proposed changes, selection and appointment of, and succession planning for Board members. The specific terms of reference of the Nomination Committee is posted on the Company's website.

The Nomination Committee held 3 meetings in 2019 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	3/3
Independent Non-Executive Directors	
Mr. Zhang Jun	3/3
Mr. Tu Jijun	3/3

During the financial year ended 2019, 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 the Board Diversity Policy to select and recommend candidates for directorship during the year.

The term of the sixth session of the Board was expired on 28 June 2019, the Nomination Committee reviewed all existing Directors and recommended all of them for election as the Directors of the seventh session of the Board at the annual general meeting.

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 Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also reviews and discusses matters related to the effectiveness of financial reporting, internal control and 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 the operating risks faced by the Group. The Audit Committee has to recommend the appointment, reappointment and removal, approve the remuneration and terms of engagement, review and monitor the independence, objectivity, resignation and dismissal of the external auditor, and maintain sufficient communication and discuss the nature and scope of the audit with the external auditor.

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

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.

The Audit Committee held 7 meetings in 2019 discussing the Group's annual results for 2018, quarterly results for 2019, 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	7/7
Independent Non-Executive Directors	
Professor Shi Ping	7/7
Professor Lei Zhenya	7/7

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 audited financial results of the Group for the year ended 31 December 2019.

The Board has decided that the financial statements of the Group for the year ended 31 December 2019 should be prepared under China Accounting Standards for Business Enterprises ("CASBE") in order to present the financial performance and position of the Group more appropriately as the operations and assets of the Group are principally located in the PRC. The auditor, SHINEWING (HK) CPA Limited, which was appointed at the annual general meeting by the shareholders of the Company, has resigned with effect from 17 February 2020 due to its incapacity to issue audited annual report under CASBE.

The Audit Committee has reviewed the resignation of SHINEWING (HK) CPA Limited and recommended the appointment of SHINEWING Certified Public Accounts LLP with approved remuneration and terms of engagement to fill the causal vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

AUDITOR'S REMUNERATION

During 2019, the fees paid and payable to the external auditor for audit services and other services amounted to RMB0.96 million and RMB0.28 million respectively.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's systems of risk management and internal control and for reviewing their effectiveness. The Board will conduct regular review on risk management and internal control systems of the Group in order to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable and not absolute assurance against material misstatement or loss. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management to identify, evaluate and manage any significant risks. Besides, the Audit Committee and the Board also performed quarter review on the Group's performance, risk management and internal control systems including financial, operational and compliance controls in order to ensure effective measures being in place to protect material assets, carry out internal audit function and resolve material internal control defects of the Group. In additions, appropriate procedures and internal controls for handling and dissemination of inside information are established. The Board considered that effective and adequate risk management and internal control systems were adopted and continually reviews the effectiveness of present arrangement on risk management and internal control functions to access whether any changes are necessary.

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 PRC 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 2019, there are following changes in the Company's articles of association:

- Change of company name
- Alternation of Board structure
- Name change of holders of domestic shares of the Company
- Change in share capital and shareholding structure after new issue of domestic shares of the Company

Detailed of changes are more particularly described in the circular and announcement of the Company dated 16 April 2019 and 20 December 2019 respectively.

ABOUT THE GROUP

Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company", or together with its subsidiaries, the "Group") was established in October 1999, with its shares listed on the GEM 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, aviation and other 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 40 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 recognised by the State, which earned it the title as one of the first "Innovative Enterprises" certified in China.

REPORT SCOPE, MATERIALITY AND PERIOD

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. The ESG Report has been published in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Guidelines") as set out in Appendix 20 to the GEM Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the "comply or explain" provisions contained therein.

Unless otherwise stated, the ESG Report covers the overall performances, risks, strategies, measures and commitments of the Group's business operations in Hong Kong and the PRC in four areas, namely, working environment quality, environmental protection, operation practices and Community Involvement during the reporting period of the year ended 31 March 2019 ("Reporting Period").

For the Group's corporate governance structure and other relevant information, please refer to the corporate governance report on pages 13 to 20 of this annual report.

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.

Materiality Assessment

The Group's management and employees were involved in the preparation of this report to assist the Group in reviewing its environmental, social, operational and governance issues and assessing the importance of such issues to the Group's business and stakeholders and to make relevant disclosures.

Stakeholder Identification and Concerns

		Concerns
Internal stakeholders	Employees	Overall operating results of the company; Compliance during daily operation; Remuneration, promotion and reward/punishment system, and imparity; Talent training system and personal development prospects
	Senior management	Economic benefits of the company; Production and operation management; Comprehensiveness of governance system; Investment opportunities in the sector and development potential of the company
	Members of board of directors	Strategic planning and its effectiveness and sustainability; Comprehensiveness and effectiveness of financial and internal control system
External stakeholders	Shareholders and investors	Financial condition and operating profitability of the company; Operational condition, market and industry changes; Interest of shareholder and investors
	Customers	Production technology and product quality of the company; Operational stability of the company
	Suppliers	Technological and production requirements, product and market demand; Business stability of the company
	Government and regulatory authorities	Compliance of the company's operation; Exercise in capital market and its compliance; Economic value and benefits
	Media and general public	Environmental protection policies; Compliance of the company's operation

To address stakeholder concerns, the Group proactively opens up multiple communication channels to understands their concerns over the company, and communicates the Group's relevant policies with them. As regards communication initiatives with internal stakeholders, the Group has formulated employee manual and relevant work guidelines; whilst building face-to-face, written, interactive and other communication channels to allow employees to share their difficulties and demands in terms of their jobs. Through regular feedback, performance evaluation and other systems, we aim to evaluate work efficiency and communicate with management to enhance the overall efficiency.

For external stakeholders, the Company has established a strict internal control system and a comprehensive meeting system in accordance with the Company Law（公司法）and Articles of Association（公司章程）, which include convening shareholders' meeting on a regular basis to allow shareholders to participate in the Company's substantial matters. In addition, the Company attaches high importance to the comprehensive information disclosure system, where relevant announcement and latest updates of the Company are released to ensure effective communication with external investors. Officers are also designated to maintain the company website and attend to visits by investors, representatives from regulatory authorities and media outlets. The Company also has an investor hotline to ensure timely communication between the Company and investors, media and general public. We also communicate with various government departments and regulatory agencies from time to time to follow up with the policy change and makes subsequent adjustment to the internal system. We sustain a close business relationship with suppliers, customers and other business partners, and share market and industry insights while understanding and cater to their needs.

Stakeholders' Feedback

We welcome opinions on the Group's approaches on the environmental, social, and governance aspects upon reading the ESG Report. Please share with us via:

Postal address:	Room B, 16th Floor, Yam Tze Commercial Building, 23 Thomson Road, Wanchai Hong Kong
Email:	info@xaht.com

REPORT ON THE ENVIRONMENT

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. In addition, to reinforce the implementation of relevant environmental measures, the Group has a clear division of labour amongst various departments, whereby the administration department is responsible for the overall environmental control. It monitors the implementation of different environmental measures, including energy consumption, and sets up relevant reward initiatives.

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. The Group also confirmed that it was not subject to relevant governmental penalties due to any violation of aforesaid laws and regulations in the business course during the Reporting Period.

Emissions

Air pollution, exhaust gas and greenhouse gas emissions, dust

The Group complies with relevant regulations promulgated by the government and applicable to the Group, including the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Air Pollution Control Ordinance (空氣污染管制條例), Waste Disposal Ordinance (廢物處置條例), the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法), Regulations of Environment Protection in Construction Projects (建設項目環境保護管理條例), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定) and the Air Pollution Control Ordinance (空氣污染管制條例). In addition, we have passed the quality control system ISO19001: 2016 standard certification, which proves that we meet the requirements of relevant laws.

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, such as new material with light environmental performance.

In addition to product design, we control carbon emissions through the environmental management in the production processes. During production processes, we avoid the use of equipment with great waste emission and low environmental performance. We also use clean energy as situation allows and increase resource efficiency. New techniques are employed to improve the utilisation rate of waste and processing level of pollutant decontamination, so as to protect the environment and enhance the overall efficiency of the Company. The Group does not discharge industrial waste gas during its production process.

Hazardous and Non-hazardous Waste Treatment

In order to prevent serious damage to the environment caused by improper disposal of waste, the Group implemented strict guidelines in this regard. We strictly comply with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), the Circular Economy Promotion Law of the People's Republic of China (中華人民共和國循環經濟促進法), Measures for the Control of Pollution from Electronic Information Products (電子信息產品污染控制管理辦法) and other relevant laws and regulations, to take relevant measures in terms of using and disposing of electronic solid waste and other waste. We do not dispose of and throw out solid waste irresponsibly.

We encourage reuse and conservation of functioning electronic devices. Certain officers are assigned to procure computers and other electronic devices are bought based on their quality, to ensure a longer lifespan of products and a lower damage to the environment. Secondly, there are also officers to teach other employees about the proper use of these electronic products to minimise damage arising from inappropriate use and thus the electronic waste. 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 Hightech 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 other solid waste, we suggest:

i. Collection and classification of the waste produced during production processes by all production departments, and storage at designated locations according to guidelines;

ii. 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;

iii. Inspection and record on the storage of waste by the Administration Department.

Sewage discharge

The Group does not produce waste water from the cleaning of its equipment. Sewage discharge mainly include a small amount of domestic wastewater created by daily operation. We strictly follow the environmental standard with proper wastewater treatment, including processing by the septic tank, to minimise pollution to the environment.

Summary of emissions data:

Emission type	Unit	Amount 2019	Amount 2018
Greenhouse gas emissions			
– Scope 1 – Direct emissions			
(i) Fuel consumption	kg (equivalent of carbon dioxide)	**31,857**	18,200
– Scope 2 – Indirect emissions			
(i) Power consumption	kg (equivalent of carbon dioxide)	**137,542**	105,300
– Scope 3 – Other indirect emissions			
(i) Paper consumption	kg (equivalent of carbon dioxide)	**15,000**	1,900
(ii) Water consumption	kg (equivalent of carbon dioxide)	**1,326**	833
Exhaust gas emissions			
– Nitrogen oxide	g	**9110.1**	5,631.3
– Sulfur dioxide	g	**38.5**	111.4
– Particulate matter	g	**662.5**	414.6
Other emissions			
– Sewage discharge	tonne	**107**	345
– Other non-hazardous waste	tonne	**6**	35

Disclosures of the key performance indicators (KPI) of the Group in Aspect A1 of the ESG Guidelines are summarised as follows:

KPI A1.1	The types of emissions and emissions data (if applicable) are set forth in the above data highlights.
KPI A1.2	Emissions of greenhouse gases in total are set forth in the above paragraphs. Greenhouse gases (including sulphur dioxide and carbon monoxide) generated in the course of daily operations did not exceed the highest levels permitted by relevant laws.
KPI A1.3	No hazardous waste is generated in the course of daily operations.
KPI A1.4	The total amount of non-hazardous waste is set out in above data summary.
KPI A1.5	Measures to reduce emissions and results achieved can be referred to the above paragraphs.
KPI A1.6	Methods of treating waste and measures to reduce emissions are set forth in the paragraph above headed Hazardous and Non-hazardous Waste Treatment

Use of Resources

Green Office

We require our employees to take conservation of resources seriously and uphold the environmental protection idea. Meanwhile, in order to tackle potential energy supply issues during daily operation, the Group proactively optimises its energy protection and prevents suspension of energy supply. Secondly, we actively enhance our energy efficiency, promote green office and energy conservation and emission reduction, while requiring 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. Encouraging employees to develop the good habit of switching off all electronic equipment, separating, recycling and reusing of waste before leaving after work;

ii. 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", so as to reduce energy consumption at idle;

iii. Reducing the use of unnecessary lighting in public area under adequate sunlight, and employing energy conserving lighting system;

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

v. Regulating our employees' water usage so as to avoid waste;

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

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

We often review the effectiveness of these measures and make adjustments according to our operation to improve the efficiency of the use of resources.

Summary of Resources Consumption Data:

Type of resources consumption	Unit	Amount 2019	2018
Water	tonne	**1,326**	833
Electricity	kWh	**171,927**	133,333
Paper	tonne	**3.1**	0.4
Petroleum and gasoline (for equipment and machines)	litre	**200**	132
Petroleum and gasoline (for vehicles and other transportation tools)	litre	**13,616**	7,576
Cartridge	tonne	**0.21**	0.05
Refrigerant	tonne	**–**	0.02
Packaging materials (plastic)	tonne	**0.7**	0.08
Packaging materials (corrugated papers)	tonne	**1.2**	0.2

Disclosures of the key performance indicators of the Group in Aspect A2 of the ESG Guidelines are summarised as follows:

KPI A2.1	Direct and/or indirect energy consumption by type and intensity has been set forth in the summary of data above.
KPI A2.2	Water consumption in total has been set forth in the summary of data above.
KPI A2.3	Description of energy use efficiency initiatives has been set forth in the paragraph above.
KPI A2.4	The Group does not have any issues in acquiring appropriate water sources that is fit for purpose, and believes that the water consumption is at a reasonable level. Water efficiency initiatives have been set forth in the paragraph above.
KPI A2.5	Types and data of packaging materials used for finished products have been set forth in the summary of data above.

The Environment and Natural Resources

The Group fully understands the importance of protecting biodiversity and the ecosystem, and values the importance of minimising environmental impact and consumption of natural resources created by production processes. We have established, and have been following and maintaining an efficient environmental management system, which advocates environmental protection practices in a number of areas:

i. Strictly complying with relevant environmental laws and regulations while continuing to improve our environmental system;

ii. Reducing the use of equipment with higher energy consumption and employing clean energy during daily operation;

iii. Adopting green procurement and reusing resources as allowed;

iv. Improving production techniques, adopting green production such as lowering emission of exhaust gas and treating wastewater;

v. Minimising noise pollution during production by selecting low-noise equipment, improving production techniques, implementing effective noise cancelling measures;

vi. Separating waste from daily operation into hazardous and non-hazardous waste, increasing the waste recycling rate to reduce damage to the environment.

In addition to stringent compliance with relevant environmental laws and regulations, the Group organises environmental knowledge training on a regular basis, such as knowledge contest and other fun and relaxing activities, while participating in and organising outdoor green events, to promote self-monitoring and self-reflection on environmental protection, as well as raising the awareness.

The Group carefully examines the qualifications of suppliers and their comprehensiveness of environmental policies and systems when cooperating with them. The Group keeps a close eye on whether the suppliers had a history of significant violation of environmental laws during daily operation. We understand their green measures through inspection and site visit, and ensure that their supply of materials meets the required standard, so as to protect the Group's supply chain from creating substantial impact to the environment and natural resources.

Disclosures of the key performance indicators of the Group in Aspect A3 of the ESG Guidelines are summarised as follows:

KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.

REPORT ON THE SOCIETY

Employment and Labour practice

Employment

Summary of Employment Data:

Total employees	Unit	Amount 2019	2018
Total number of employees	no. of people	**73**	52
By gender			
– Male	percentage	**57.53**	50.00
– Female		**42.47**	50.00
By employment type			
– Full-time, permanent	percentage	**72.60**	100.00
– Full-time, contract		**26.03**	0.00
– Temporary/part-time		**1.37**	0.00
By position			
– Executives	percentage	**31.51**	25.00
– Others		**68.49**	75.00
By age			
– Below 30	percentage	**13.69**	13.46
– 30-39		**38.36**	44.23
– 40-49		**28.77**	28.85
– 50-59		**16.44**	13.46
– 60 or above		**2.74**	0.00
Average tenure			
– Executives (male)	no. of years	**6.76**	12.62
– Executives (female)		**2.94**	7.40
– Others (male)		**4.33**	6.1
– Others (female)		**3.65**	5.6
Employee loss			
– Male	no. of people	**5**	3
– Female		**5**	0
New employees			
– Male	no. of people	**16**	3
– Female		**15**	0

The increase in total number of employees was mainly attributable to the completion of acquisition of equity interest in Suzhou Haitian New Antenna Technologies Co., Ltd. (蘇州海天新天線科技有限公司) ("Suzhou Haitian") at the end of 2019. Suzhou Haitian subsequently became a wholly-owned subsidiary of the Group and had 17 employees as at 31 December 2019.

Employment, remuneration and benefit policy
As at 31 December 2019, the Group had 73 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 Hong Kong Employment Ordinance, 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. We also provide suitable amount of subsidies for their daily communication and business trips. 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.

Recruitment and promotion policy
Upholding the impartial and fair principle, the Group's recruitment processes are made based on operational needs, business growth, and requirement of occupational skills and qualifications. Suitable employees are selected after careful analysis of their personal moral standard, professional skills, work experiences and relevant qualifications. We do not allow any personal relationship and interest as priority and prohibit any form of discrimination. We have built a comprehensive performance assessment and promotion system, evaluating the job performance of employees to make sure that each and every employee is entitled to reasonable promotion opportunities, with a view to creating an endeavouring and harmonious corporate culture.

Equal opportunity and diversity policy
The Group strives to reinforce its human resource management. Through strengthening human strategy, building talent nurturing system, together with the promotion of corporate culture and appropriate deployment of resources, we aim to stimulate the employees' aggressiveness towards work, and provide a fair, just and diverse development platform for employees. The Group determines employees' salary, benefits and promotion based upon their job nature, experience, work performance, financial results and market condition. The Group guarantees fair treatment of employees and prevent discrimination based on gender, race, religion, age, marital and family status, disability or any other grounds.

Dismissal policies
In general, the Group will lay off employees for the following reasons:

i. Unsatisfactory performance of an employee for a prolonged period of time, or his/her capability and skills do not meet the required level of the respective position so that he/she cannot perform the job duties;

ii. Serious violation of laws and regulations and employment policies to the level that he or she should be dismissed;

iii. Objective condition where the company is not able to subsist.

If an employees is dismissed due to the above reasons, the Group will follow the procedures to handle and make reasonable compensation to the dismissed employee according to the guidance under relevant employment law and the relevant provisions on termination of the employment set out in the employment contracts of every staff.

Communication with employees and corporate culture
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. We hold in high regard the employees' understanding of the corporate culture. We aspire, through turning the corporate culture into actions from philosophy, creating a concrete idea from abstract concept, and exploring oral and written forms, to raising employees' comprehension of our corporate culture, thereby strengthening their sense of belonging. 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.

Besides, we organise a diverse range of practicing, recreational and cultural activities from time to time, such as dinners, evening parties and company knowledge learning, to bring our employees together and create the endeavouring culture and strong cohesion.

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.

Health and Safety

Occupational safety
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 standardise 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".

We consider protection of our employees during production processes as very crucial, as we adhere to the motto of "Safety and Prevention First". Employees are strictly required to follow all laws and operational regulations during daily work and production, and are assigned to acquire additional professional knowledge to raise their safety awareness, in order to contain and reduce accidents.

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 organised all kinds of occupational safety training sessions whereby we urge employees to learn all necessary safety knowledges and launch safety drills, including education on fire prevention and emergency response, equipment operation and fire drills. We will continue to upgrade our safety facilities and 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.

Besides protecting our own employees, we also ask our suppliers and business partners to share the same value. Suppliers are able to provide a reliable and stable source of materials to us because of the contribution of their employees. Therefore, their personnel management system and safe production standards are also vital. We want our suppliers to be people-oriented and maintain a safe production and regulated operation. The Group will examine their relevant mechanisms and protective measures from time to time.

Physical and mental health
We understand the change of time and the increasing concern from employees and the society over work pressure and potential problems. Hence, we proactively 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 promotes the enriched and colourful lifestyle as we regularly organises and encourages its employees to participate in various kinds of activities that can promote their awareness of health, including dinner gatherings, hiking, long-distance running, basketball competition and other outdoor and social events. We hope to enhance their enthusiasm, understanding with each other, and thus the cohesiveness, so that they support each other, 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 incidents related to the safe working environment and protection of its employees from occupational hazards. During the reporting period, the Group had not identified any incidents which violate health and safety laws and regulations.

Development and Training

Training statistics:

	Unit	Amount 2019	2018
Total number of employees	no. of people	**73**	52
Total number of employees trained	no. of people	**45**	45
Trained employees as a percentage of total number of employees	percentage	**61.64**	88.23
Total training hours			
By gender			
– Male	no. of hours	**207**	168
– Female	no. of hours	**153**	192
Average training hours			
By gender			
– Male	no. of hours	**4.93**	6.72
– Female	no. of hours	**4.94**	7.38
Total training hours			
By position			
– Executives	no. of hours	**120**	104
– Others	no. of hours	**240**	256
Average training hours			
By position			
– Executives	no. of hours	**5.71**	8.00
– Others	no. of hours	**4.62**	6.53

Training system

We support our staff in exploiting their potential and promoting long-term career development, for which we ensure employees to be adept at professional skills and bolster their quality and better adapt to the change in business environment, so that the overall capacity of the company will be enhanced. We have launched a comprehensive, diverse career development programme for them. During the year, the training programme covers knowledge-based, skill, mental trainings, as well as integrated quality assessment:

i. Induction training: organising employee induction talk from time to time, inviting officers as speakers and allowing employees to acquire knowledge, such as operational management and development planning, which is relevant to their respective positions and understand the company policy and corporate culture;

ii. Skill training: providing skill enhancement training from time to time to let employees become adept at job skills, in order to enhance their work efficiency and overall benefits of the company. These training sessions are grouped into "internal trainings" and "external trainings" and the Group will pay for external courses;

iii. Mental training: through launching various exchange events to fill employees with trust and develop interpersonal relationship and complete their personal characters, with a view to enhance work efficiency by improving psychological quality;

iv. Integrated quality assessment: regularly organising integrated quality assessment by forms of oral and written tests and practical operation, to ensure that employees have a deep understanding of corporate culture and enhance their job skills, as well as improving their overall quality.

For required qualifications and certificates to assume certain professional positions, such as the accountant qualifications for finance officers and certificates for electricians, the Company will provide relevant training subsidies according to actual needs and encourage employees to proactively learning new professional knowledge.

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. Also, we always pay close attention to the latest national policy and regulatory changes and updates from the China Securities Regulatory Commission, so that our directors and senior management fully understand the new legal requirements, systems and industry knowledge.

Internal development

The Group actively trains its employees to enhance efficiency and build a future management team. Therefore, the Group offers employees with enormous room for internal promotion. We advocate a "fair, just and transparent" promotion mechanism. To boost employees' awareness and aggressiveness, the Company will provide an enabling promotion platform according to development need. Based on the operational condition of the company, we will reward employees with outstanding performance and remarkable results in assessment. When there are suitable vacancies, we will prioritising the internal promotion of existing employees, with a view to building their confidence and sense of belongings, as well as reducing employee turnover.

Promotion of senior management must be made based on integrated performance assessment. We will follow the principle of enhancing personal integrated quality and focus on training its comprehensive management capability. In addition, we will make adjustment to different positions according to actual needs while employees are allowed to request changes of job positions for personal situation.

Labour Standard

The Group strictly complies with the Employment Ordinance and Regulations on Labour Security Supervision of the State Council of the People's Republic of China, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Labour Basic Standard Law, and refers to international labour standards. Use of child labour, swindle of child labour, forced child labour and other form of forced labour are prohibited. When hiring people, we require the applicants to present their IDs and academic certificates, and other identity proving documents. 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. The Group will review and further improve its labour mechanism from time to time.

Besides banning any use of child and forced labour, the Group also pays attention to protection of employees from workplace harassment and bullying. We hold a very high personal moral and ethical standard of employees. Through training and information sharing, together with a stringent behavioural guidelines, we monitor and prohibit and harassment and bullying among employees at or outside our workplace.

During the reporting period, the Group had neither child labour or forced labour, nor involved in any violation of labour standard.

Operating Practices

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. As at 31 December 2019, the Group had a total of 18 suppliers, mainly from China (including Shanghai, Shandong, Shenzhen, Shaanxi, Beijing, Guangdong, Anhui and Hebei etc.), Canada and Germany. During the reporting period, the Group did not replace any main supplier.

Procurement policy

Our "Purchase Management System" details our supplier selection criteria and identifies and evaluates the relevant risks. Generally speaking, we have 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 will invite 3-5 suppliers to make tenders for products or parts that we expect to procure, and select among them upon integrated examination of their costs, quality, qualifications and track records. Afterwards, we will communicate with the selected suppliers by phone or by site visit to perform procurement management and production inspection, in order to ensure that the Group is able to obtain supply of qualified products or parts. In case of non-compliance with operational laws or concerning production risks by our suppliers, we will replace with another suppliers pursuant to relevant system.

Controlling environmental and social risks

The Group proactively maintain close communication with suppliers. The Group will review existing 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, the Group advocates the sustainable supply chain model, whereby our products are designed, researched and produced with consideration of environmental protection. We showcase the environmental quality of our products through online and offline promotion, participation of international exhibitions and other business events, while also promoting our corporate culture and encouraging our suppliers to continue to improve, so that we learn together and source suppliers with the same value to make sustainable contribution to the economy, society and environment. The Group will optimise its supply chain upon industry changes.

Product responsibility

Quality control

We are dedicated to satisfying our customers with high-quality and safe products while complying with the Product Quality Law of the People's Republic of China（中華人民共和國產品質量法）and all relevant regulations. We carefully select our raw materials for our commitment to environmental protection and energy saving, as we will never use and put in during production processes any substances which are harmful to the environment or human body. We carry out stringent quality control in each procedure from production to delivery; whilst assigning officers to strictly monitor our production processes, so that our production is performed with advanced technology from the country or overseas, and is in line with the relevant standards of the ISO Quality Management System. We also assess the quality of our products and services based on the relevant national and industry standards. After the production is completed, our products will be sent to research centre for test by experts to ensure their safety and reliability meet the specified level. 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.

During the reporting period, there was no significant complaints or compensation requests against us arising from the quality issue of the products of the Group.

Understanding 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.

Handling of complaint and product recall

We have established a complete complaint handling and product recall mechanism, with specific and clear guidelines on the division of responsibilities and handling procedures. To address different types of complaint, we adopt an "accountability" handling mechanism which directs complaint to responsible departments. Designated officers will handle complaints from customers through a series of procedures including sending complaints, undergoing investigation, giving clear handling timeline, delivering results and conveying satisfaction surveys, to prevent any emergencies. As regards compensation claim on product recall, the Group has established a corresponding mechanism, and recall products, make exchange and settle compensation in accordance with the "Measures for Compensation Management" and other after-sale measures.

Protection of privacy and intellectual property

We understand the vitality of protecting intellectual property and strictly comply with the Contract Law of the People's Republic of China（中華人民共和國合同法）, the Law of the People's Republic of China on Intellectual Property Rights（中華人民共和國知識產權法）, the Law of Prohibiting Unfair Competition（反不正當競爭法）and other relevant laws and regulations. We constantly complete our management protocols and employee policy manual to include applicable terms of protecting intellectual property, such as confidentiality, employees' responsibilities, violation punishment and other preventive measures, in order to keep all business information obtained during daily business exchange in strict confidence.

When cooperating with other companies, we enter into and strictly follow the confidentiality agreement. For patent technologies owned by third-party we obtain through cooperation, we undertake to carry out rigid control of the scope of knowledge spread and only the necessary employees shall obtain such confidential information. Preventive measures are made as anything carrying the confidential information shall be clearly marked and encrypted. We have formulated stringent the "Regulations on Confidentiality of the Group's Internal Information" and other stringent information confidentiality regulations for the above initiatives, which adopt encryption measures for customers' information and other data and prohibit personal discussion and mention at public events of such information, so as to ensure product data, customer privacy and other business confidential information are fully protected, and avoid leaks because of mishandling.

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.

During the reporting period, there was no event which infringe the intellectual property rights of products, technologies or daily operation of the Group.

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 Product Quality Law of the People's Republic of China（中華人民共和國產品質量法）, the Advertisement Law of the People's Republic of China（中華人民共和國廣告法）, the Provisional Measures for the Administration of Internet Advertisement（互聯網廣告管理暫行辦法）, the Law of Prohibiting Unfair Competition 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, while disallowing any business confusion act and following the order of reasonable market competition, 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.

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 of the People's Republic of China（中華人民共和國刑法）, the Anti-money Laundering Law of the People's Republic of China（中華人民共和國反洗錢法）, the Anti-Monopoly Law of the People's Republic of China（中華人民共和國反壟斷法）, the the Law of Prohibiting Unfair Competition, the Anti-corruption Laws (Cap. 201 of Hong Kong Law)（防止賄賂條例）and other applicable laws and regulations, 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. We periodically invite the company lawyer to explain for our employees the common legal knowledge, whilst encouraging them to conduct self-learning of relevant laws and regulations and raising their awareness. 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.

As to cooperation with other companies in aspects of procurement, external investment or investment introduction, the Group has sound rules and system to perform due diligence in advance and strictly manages and implements each business relating to procurement and investment in accordance with its rules and procedures, and strengthens the supervision and management of related businesses in the financial aspect so as to avoid the problem of collecting any form of interest. Heads of relevant departments of the Company will also contact and communicate with external partnerships such as suppliers from time to time to understand issues in business development and whether any interest is gained. The Group also conducts internal self-inspection and communicates with customers from time to time to obtain customer information and understand thoroughly about their balance sheets, cash flow condition and profitability. Combined with their qualification in terms of integrity, financing records, capital investment and project condition, we are able to analyse their financial situation and determine whether their income sources are valid and reliable, to ensure that the client's funds are properly sourced and that no illegal acts such as money laundering are involved.

In terms of finance and corporate governance, 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. We have set up an audit committee according to the Listing Rules 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.

Whistle-blowing policy

We have a well-maintained anonymous reporting mechanism and continuously reinforce internal culture to encourage our employees to report unlawful and dishonest conducts within the Company through e-mail, telephone and other written form, 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, regulatory agencies, board of directors and audit committee, who will then notify the government's law enforcement agencies. All necessary measures will be taken to punish and pursue employees, suppliers and business partners who violated the laws. 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 to stop any violation.

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. The Group has not found any significant risks and issues.

COMMUNITIES

Community Investment

The Group pursues sustainable development and try its best to strike a balance between interest and responsibility to give back to the society. It proactively responds to the country's appeal to benefit the people. As to regions where the Group launches and operates its projects, the Group actively accommodates the local policy to boost economic development together. We blend in with the local community and participate in the local charity activities as we take the social responsibilities to display our positive corporate image. Employees are asked to improve personal quality and develop the civic-mindedness while we encourage employees to also take their social responsibilities to help the community. We champion the moral principle of dedication and appreciation, and aspire to cultivate personal work ethics and social moral quality through action, for the purposes of self-improvement and giving back to the society.

The Group creates relevant job vacancies based on actual needs and takes relevant policies for community projects into consideration, thereby prioritising the recruitment of local people and increasing income for the poor. Through operating with the local policy and people, the Group satisfies its needs of expanded workforce as the business grows. During the reporting period, the Group developed an industrial poverty-alleviation projects in Dalan Village, Yi County, Baoding City, Hebei Province, as one of our precise poverty-alleviation efforts and eventually boost local income of the poor villagers.

The Group will continue to explore various feasible ways in the future, including organizing or participating in communities and public welfare activities organised 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.

ESG Reporting Guide of The Stock Exchange of Hong Kong Limited

Subject Areas	Content	Section in This ESG Report
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment – Emissions
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment – Use of Resources
A3 Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment –Environment and Natural Resources

Subject Areas	Content	Section in This ESG Report
B. Social Aspect		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices – Recruitment, Remuneration and Dismissal Policies; Equal Opportunities, Diversity and Inclusion
B2 Health and Safety		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices – Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labour Practices – Development and Training
B4 Labour Standard		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices – Labour Standards
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
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.	Operating Practices – 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.	Operating Practices – 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.	Communities – Community Investment

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xiao Bing（肖兵先生）, aged 54, is a son of Professor Xiao Liangyong, the founder of the Company. Mr. Xiao studied in radio technology under Adult Education College of Xidian University*（西安電子科技大學）from 1984 to 1987 and obtained a 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 1987 to 1992, served as the manager of Xi'an Haitian Communications Equipment Factory*（西安海天通訊設備廠）from 1992 to 1999 and was the 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. Mr. Xiao joined the Group as an assistant to chairman of the Board since 1999, and was appointed as the general manager of the Company and elected as an executive Director since October 2000. Mr. Xiao was the chairman of the Board from August 2004 to November 2007 and from 31 December 2012 to 28 June 2016, was the vice chairman of the Board from 29 June 2016 to 31 December 2018, and has been the chairman of the Board since 1 January 2019.

Mr. Chen Ji（陳繼先生）, aged 44, obtained a Bachelor of Economics from Shanghai University of Finance and Economics*（上海財經大學）in 1997, a Bachelor of Laws from East China University of Political Science and Law*（華東政法學院）in 2005, a Master of Business Administration from Shanghai University of Finance and Economics in 2008 and a Master of Laws from Fudan University*（復旦大學）in 2009. Mr. Chen has extensive experiences 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 the office supervisor from July 1997 to August 2001. Mr. Chen served as the 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 a paralegal since February 2006 and became a lawyer and a 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）in October 2010. Mr. Chen was the 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 a director and elected as the chairman and the 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 served as 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 on The Shenzhen Stock Exchange, from November 2016 to March 2018, as the vice chairman from June 2017 to March 2018, and has been the chairman and the chief executive since 1 November 2018. Since June 2018, Mr. Chen has served as the chief representative of the Greater China region of the Bilateral Research Institute in the United States. Mr. Chen was an independent non-executive Director from 10 August 2012 to 13 April 2015, was appointed as an executive Director with effect from 13 April 2015, was the chairman of the Board from 29 June 2016 to 31 December 2018, and has been the vice chairman of the Board since 1 January 2019.

Non-Executive Directors

Mr. Sun Wenguo（孫文國先生）, aged 44, graduated from the Department of International Finance of Shaanxi College of Finance and Economics*（陝西財經學院）in 1998 with a bachelor degree. Mr. Sun previously worked in the 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 has been appointed as a non-executive Director since 13 October 2006 and was elected as the vice chairman of the Board until 31 May 2019.

Mr. Li Wenqi（李文琦先生）, aged 54, 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, an 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 the general manager of Shaanxi Kaisei Group Co., Ltd. since September 2015. Mr. Li has joined the Company as a non-executive Director since October 2000.

Mr. Zuo Hong（左宏先生）, aged 56, 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 Xi'an Armed Police Corps. He took the position of supervisor and chief technical director of the 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 the 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 an 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 the general manager of the Company from 31 December 2012 to 13 July 2016, and has become the 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 has been appointed as a non-executive Director since 29 June 2016.

Ms. Huang Jing（黃婧女士）, aged 35, obtained a 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 a 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 a paralegal and a trainee solicitor and became a lawyer and a partner. Ms. Huang was the 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 a director of Zhejiang Xinlian Co., Ltd.*（浙江信聯股份有限公司）on 2 March 2015. Ms. Huang served as 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 on The Shenzhen Stock Exchange, from November 2016 to March 2018 and has been a director since 1 November 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 has been appointed as a non-executive Director with effect from 29 June 2016.

Mr. Yan Weimin（燕衛民先生）, aged 52, graduated from Central South University*（中南大學）with a bachelor degree in automation control engineering in 1989 and obtained an Executive Master of Business Administration of United Business Institutes in Belgium in 2009. He has 20 years' extensive 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 the PRC 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）, was 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 has served as 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.*（上海鷹悅實業有限公司）. In additions, he has been 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 the PRC'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 has been appointed as a non-executive Director since 29 June 2016.

Independent Non-Executive Directors

Mr. Zhang Jun (張鈞先生), aged 51, 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 the regional sales director and the chief representative in Beijing 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 a marketing director, the general manager of overseas operations and the vice president. Since 2011, Mr. Zhang has been the managing director of Shenzhen Arrow Advanced Technology Co., Ltd.* (深圳愛勞高科技有限公司). Mr. Zhang has joined the Company as an independent non-executive Director since 28 June 2013.

Professor Shi Ping (師萍教授), aged 70, holds a doctoral degree and Chinese Certified Public Accountant qualification. Professor Shi has served as a professor and a 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 an assessor of National Natural Science Foundation of China* (國家自然科學基金項目), an executive director of Accounting Society of Shaanxi Province* (陝西會計學會), the vice president of Shaanxi Cost Accounting Researching Association* (陝西成本研究會), an advisor of Xi'an Accounting Society* (西安市會計學會), a 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), a member of Shaanxi Province Senior Auditor Assessment Committee* (陝西省高級審計師評委會), and a member of Shaanxi Province Senior Economist Assessment Committee* (陝西省高級經濟師評委會). Professor Shi was an 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 has been appointed as an independent non-executive Director with effect from 13 April 2015.

Mr. Tu Jijun (涂繼軍先生), aged 53, graduated as a Bachelor of Engineering from Xidian University* (西安電子科技大學) in July 1986. Since November 1986, Mr. Tu has worked at the information technology department of Shaanxi Branch of Bank of China Co., Ltd.* (中國銀行股份有限公司陝西省分行). Mr. Tu has been appointed as an independent non-executive Director with effect from 21 August 2015.

Professor Lei Zhenya (雷振亞教授), aged 59, graduated from Xidian University* (西安電子科技大學, formerly known as Northwest Telecommunications Engineering College* (西北電訊工程學院)) in 1981, carried out work in the microwave teaching and research section after graduation and obtained a master degree in the research of microwave circuit and engineering, target characteristics and stealth confrontation in 1999. Professor Lei obtained the titles of technician, assistant engineer, engineer, senior engineer and professor in 1981, 1983, 1989, 1997 and 2007 respectively and served as a supervisor of the microwave laboratory, the deputy supervisor of the microwave teaching and research section, and the head of the microwave research institute since 1988. Professor Lei is currently the head of the microwave research institute, School of Electronic Engineering, Xidian University and a supervisor of the Microwave and Radio Wave Propagation Committee of The Electronics Institute of Shaanxi Province* (陝西省電子學會微波與電波傳播專業委員會). Professor Lei published 11 textbooks and monographs, announced more than 60 papers, undertaken more than 50 scientific research, obtained 4 provincial and ministerial awards, and 6 national defence patents and invention patents. Professor Lei has been appointed as an independent non-executive Director with effect from 19 October 2018.

SUPERVISORS

Mr. Wang Xiaokun (王曉坤先生), aged 50, graduated from Nanjing University* (南京大學) in 1991 with a bachelor degree majoring in water resources and environmental. Mr. Wang worked as an 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 the 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 has appointed as the chairman of Xi'an Dadi Phyto Tech Co., Ltd.* (西安大地植化技術有限公司). Mr. Wang has been appointed as an independent Supervisor with effect from 30 June 2015.

Mr. Zhang Yi (張毅先生), aged 50, 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 the accountant qualification (intermediate title) in November 1998. Mr. Zhang worked at the 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 the 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 the finance department and served as the head of consolidation team of the Company from January 2003 to March 2010. Since March 2010, Mr. Zhang has joined the finance department of Xi'an Feilong Household Co., Ltd.* (西安飛龍家居有限公司). Mr. Zhang has been appointed as an independent Supervisor with effect from 21 August 2015.

Mr. Shang Lijian (商力堅先生), aged 52, holds a bachelor degree of School of Chemical Engineering of Beijing Union University* (北京聯合大學化學工程學院). Mr. Shang worked for Institute of Botany of The Chinese Academy of Sciences* (中國科學院植物研究所) as a research assistant from July 1989 to December 1995 and Guokaitai Industrial Development Co., Ltd.* (國開泰實業發展有限公司) as a corporate staff from January 1998 to May 2001. Mr. Shang joined Beijing Holdings Investment Management Co., Ltd.* (北京控股投資管理有限公司) and served as an investment staff, the business management deputy manager and the office deputy supervisor from June 2001 to June 2015, during which Mr. Shang was assigned to Beijing Beikong Water Manufacturing Co., Ltd.* (北京北控制水有限公司) as the deputy general manager (2006-2007), Beijing Beikong Environmental Protection Engineering Technologies Co., Ltd.* (北京北控環保工程技術有限公司) as the deputy general manager (2007-2013) and Guoao Investment Development Co., Ltd.* (國奧投資發展有限公司) as the deputy general manager (2013 to 2014). Mr. Shang assumed the deputy manager of the investment and development department of 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 Investment Management Co., Ltd.* (北京京泰投資管理中心), a promoter and shareholder of the Company, from July 2015, and has become the deputy manager (lead work) since March 2018. Mr. Shang has been appointed as a shareholder Supervisor with effect from 29 June 2018.

Mr. Li Tianzuo (李天佐先生), aged 47, 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 the 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 the early stage of research, development and design of program control exchange for the State. He served as the 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 has 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 has become the head of development department of the Company. Mr. Li has been elected as a staff Supervisor since 29 June 2016.

Ms. Lu Lihua (陸麗華女士), aged 45, graduated from the international trade at Shanghai TV University* (上海電視大學) (presently known as Shanghai Open University* (上海開放大學)) in 1996. Ms. Lu worked at Shanghai Tian He Hotel* (上海天鶴大酒店) as a financial officer from September 1992 to August 2002, worked at Shanghai Oujiang Shengxiong Enterprise Management Co., Ltd.* (上海甌江聖雄企業管理有限公司) as a financial officer from January 2005 to June 2009 and worked at Shanghai Chenghai Enterprise Development Co., Ltd.* (上海澄海企業發展股份有限公司) (formerly known as Shanghai Hainiao Enterprise Development Co., Ltd.* (上海海鳥企業發展股份有限公司)) as a financial accountant from May 2010 to June 2014. Since September 2014, Ms. Lu has served as a financial accountant of the Company and 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. Ms. Lu has been elected as a staff Supervisor since 29 June 2019.

SENIOR MANAGEMENT

Mr. Wang Yun (王贇先生), aged 39, 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 degree in engineering in project management from Northwestern Polytechnical University* (西北工業大學). Since joining the Group in September 2002, he has served in the securities department, the finance department and the administration department as the project manager as well as the deputy head and the head of the administration department. Mr. Wang served as the secretary to the Board from 2011 to 2019 and has become the general manager of the Company since 11 December 2019.

Mr. Xu Hao (徐浩先生), aged 48, graduated from Shaanxi Financial Technological College* (陝西財政專科學校) with a major in finance in July 1994 and obtained the 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 the financial supervisor 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 the project manager of Xi'an Pengguang Tax Agent & Bureau Co., Ltd.* (西安鵬光稅務師稅務所有限責任公司) from October 2003 to February 2005. Mr. Xu has worked in the finance department of the Company since March 2005 and is now the 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 39, graduated as the accounting profession from Zhongnan University of Economics and Law* (中南財經政法大學). Mr. Wu served as a staff member and the head of the 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 the vice president of the investment department of a wholly-owned subsidiary of Zhuhai Huafa Group Limited* (珠海華發集團有限公司) from March 2009 to July 2011, and served as the deputy general manager and the chief financial officer at Zhuhai Yide Petrochemical Co., Ltd.* (珠海市一德石化有限公司) from August 2011 to May 2014. Mr. Wu has held the position of the vice general manager of Cloud Live Technology Group Co., Ltd.* (中科雲網科技集團股份有限公司), a company listed on The Shenzhen Stock Exchange, since November 2018. 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 the head of the finance department in June 2014, served as the general manager of the Company from 9 September 2017 to 11 December 2019, and has been the vice general manager of the Company since 11 December 2019.

Mr. Wang Jianqing（王建青先生）, aged 38, graduated from China Central Radio and Television University*（中央廣播電視大學）(now known as The Open University of China) in the business administration in 2007. Mr. Wang worked as a project manager and a project supervisor of the research and development department of the Company from August 2001 to December 2011, a project supervisor of the research and development department and the vice manager of delivery centre in Xi'an Sanyuanda Haitian Antenna Co., Ltd.*（西安三元達海天天綫有限公司）from December 2011 to February 2016, the product manager of Shaanxi Chuangda Communication Technologies Co., Ltd.*（陝西創達通信科技有限公司）from February 2016 to June 2017, and the vice general manager and the head of the research and development department of Xi'an Xiao's Antenna Technologies Co., Ltd.*（西安肖氏天綫科技有限公司）from 2017 to 2019. Mr. Wang has become the vice general manager of the Company since 11 December 2019.

Ms. Lei Xiao（雷霄女士）, aged 34, obtained a bachelor degree in the administration management from Air Force Engineering University*（空軍工程大學） in 2008. Ms. Lei worked in the administration and personnel department of the Company from July 2008 to December 2011, worked in Xi'an Sanyuanda Haitian Antenna Co., Ltd.*（西安三元達海天天綫有限公司） from December 2011 to June 2014 as the head of general affairs department and the assistant to the general manager, and served as the head of the securities department of Shaanxi Guode Electric Manufacturing Co., Ltd.*（陝西國德電氣製造有限公司）from June 2014 to March 2015. Ms. Lei has been the head of the investment department of the Company since March 2015, and has been the secretary of the Board since 11 December 2019.

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 2019, 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 2019 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. We are of the opinion that the audited financial statements for the year ended 31 December 2019 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

Li Tianzuo
Chairman

Xi'an, the PRC
17 April 2020

The Directors have pleasure in presenting their report for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in 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 principal activities of its subsidiaries are set out in note XI 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 2019 are set out in the consolidated income statement of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019.

DISTRIBUTABLE RESERVES

In accordance with the Articles, 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 if applicable. 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 2019.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in shareholders' equity of this annual report and note VI to the consolidated financial statements respectively.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2019 is set out on page 176 of this annual report.

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENTS AND SHARE OPTION SCHEMES

During the year, the Company has not entered into any equity-linked agreement and has not undertaken any share option scheme.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB0.75 million on plant and equipment and approximately RMB0.42 million on construction 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 VI to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

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

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

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
Professor Lei Zhenya

Supervisors
Mr. Wang Xiaokun
Mr. Zhang Yi
Mr. Shang Lijian
Mr. Li Tianzuo
Ms. Lu Lihua (appointed on 29 June 2019)
Mr. Shen Hongxiu (retired on 28 June 2019)

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 2022 subject to renewal upon approval by the shareholders of the Company for one or more consecutive terms of three years. In accordance with the provisions of the Articles, 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.

Independence of 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' and Supervisors' emoluments

Details of emoluments of Directors and Supervisors are set out in note XI to the consolidated financial statements.

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 2019, 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 6)*	Approximate % in enlarged issued Shares *(Note 6)*
Mr. Xiao Bing (肖兵先生)	Beneficial owner, family member interest and interest in controlled corporation	550,832,335 *(Note 1)*	52.37%	32.45%	44.00%	29.03%
Mr. Chen Ji (陳繼先生)	Interest in controlled corporation	273,344,804 *(Note 2)*	25.99%	16.10%	21.84%	14.40%

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 6)*
Mr. Xiao Bing (肖兵先生)	Beneficial owner	10,000,000	1.55%	0.59%	0.53%
Mr. Chen Ji (陳繼先生)	Beneficial owner and interest in controlled corporation	46,071,000 *(Note 3)*	7.13%	2.71%	2.43%
Ms. Lu Lihua (陸麗華女士)	Beneficial owner	14,000 *(Note 4)*	<0.01%	<0.01%	<0.01%

Short positions in H Shares

Name of person	Capacity	Number of underlying H Shares	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 6)*
Mr. Chen Ji (陳繼先生)	Interest in controlled corporation	36,300,000 *(Note 5)*	5.62%	2.14%	1.91%

Notes:

1. 328,363,637 Domestic Shares are held by Xi'an Tian An Corporate Management and Consulting Co., Ltd.*（西安天安企業管理咨詢有限公司）("Tian An Corporate"), which is beneficially owned as to 60% by Mr. Xiao Bing（肖兵先生）and 40% by his spouse Ms. Chen Jing（陳靜女士）. 157,468,698 Domestic Shares are held by Xi'an Xiao's Antenna Technologies Co., Ltd.*（西安肖氏天綫科技有限公司）("Xiao Antenna"), which is beneficially owned as to 70% by his father Professor Xiao Liangyong（肖良勇教授）and as to 30% by his spouse Ms. Chen Jing. By virtue of the SFO, Mr. Xiao Bing is deemed to be interested in the same 328,363,637 and 157,468,698 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 Mr. Chen Ji（陳繼先生）and his spouse Ms. Sun Xiangjun（孫湘君女士）in equal share. 18,500,000 Domestic Shares are held by Shanghai Hongzhen Ningshang Investment Management Partnership (limited partnership)*（上海泓甄寧尚投資管理合伙企業（有限合伙））("Shanghai Hongzhen Ningshang"), which is beneficially owned as to 83.33% by Mr. Chen Ji and 16.67% by Shanghai Hongzhen Investment Management Co., Ltd.*（上海泓甄投資管理有限公司）("Shanghai Hongzhen Investment"), and Shanghai Hongzhen Investment is beneficially owned as to 60% by Gaoxiang Investment. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 254,844,804 and 18,500,000 Domestic Shares.

3. 9,771,000 H Shares are held by Mr. Chen Ji. 36,300,000 H Shares are held in investment products issued by Guotai Junan Financial Products Limited ("Guotai Junan Financial"), which is beneficially owned by Guotai Junan International Holdings Limited ("Guotai Junan International"). Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings Limited ("Guotai Junan Holdings"), which is beneficially owned by Guotai Junan Securities Co., Ltd ("Guotai Junan Securities"). Zhongrong International Trust Co., Ltd.*（中融國際信托有限公司）("Zhongrong International"), an investment manager of Gaoxiang Investment, holds such investment products issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 36,300,000 H Shares.

4. Ms. Lu Lihua（陸麗華女士）is a staff Supervisor.

5. Short position in 36,300,000 underlying H Shares are derived from unlisted and cash settled derivatives issued by Guotai Junan Financial, which is beneficially owned by Guotai Junan International. Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings, which is beneficially owned by Guotai Junan Securities. Zhongrong International, an investment manager of Gaoxiang Investment, holds such unlisted and cash settled derivatives issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. By virtue of the SFO, Mr. Chen Ji is deemed to have short position in the same 36,300,000 underlying H Shares.

6. 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 200,000,000 Domestic Shares were issued and allotted on 12 March 2020.

Saved as disclosed above, as at 31 December 2019, 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 2019, 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 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 person/entity	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)*
Ms. Chen Jing（陳靜女士）	Spouse interest and interest in controlled corporation	550,832,335 *(Note 1)*	52.37%	32.45%	44.00%	29.03%
Professor Xiao Liangyong（肖良勇教授）	Family member interest and interest in controlled corporation	550,832,335 *(Note 1)*	52.37%	32.45%	44.00%	29.03%
Tian An Corporate	Beneficial owner	328,363,637 *(Note 1)*	31.22%	19.34%	26.23%	17.30%
Ms. Sun Xiangjun（孫湘君女士）	Spouse interest and interest in controlled corporation	273,344,804 *(Note 2)*	25.99%	16.10%	21.84%	14.40%
Gaoxiang Investment	Beneficial owner	254,844,804 *(Note 2)*	24.23%	15.01%	20.36%	13.43%
Xiao Antenna	Beneficial owner	157,468,698 *(Note 1)*	14.97%	9.28%	12.58%	8.30%
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	9.51%	5.89%	7.99%	5.27%
Shenzhen Huitai Investment Development Co., Ltd.*（深圳市匯泰投資發展有限公司）	Beneficial owner	75,064,706 *(Note 3)*	7.14%	4.42%	5.99%	3.96%
Ms. Wang Zengdi（王增娣女士）	Interest in controlled corporation	75,064,706 *(Note 3)*	7.14%	4.42%	5.99%	3.96%

Name of person/entity	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)*
Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司)	Beneficial owner	70,000,000 *(Note 4)*	6.65%	4.12%	5.59%	3.69%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 *(Note 4)*	6.65%	4.12%	5.59%	3.69%
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心)	Beneficial owner	54,077,941 *(Note 5)*	5.14%	3.19%	4.32%	2.85%
Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司)	Interest in controlled corporation	54,077,941 *(Note 5)*	5.14%	3.19%	4.32%	2.85%
Ms. Jin Rongfei (金嶸霏女士)	Beneficial owner	50,000,000 *(Note 6)*	4.75%	2.94%	3.99%	2.64%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	1.90%	1.18%	1.60%	1.05%
Mr. Zhang Jiandong (張建東先生)	Beneficial owner	20,000,000 *(Note 7)*	1.90%	1.18%	1.60%	1.05%
Shanghai Hongzhen Ningshang	Beneficial owner	18,500,000 *(Note 2)*	1.76%	1.09%	1.48%	0.97%
Shanghai Maokou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	1.76%	1.09%	1.48%	0.97%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	1.04%	0.64%	0.87%	0.58%
Mr. Liao Kang (廖康先生)	Beneficial owner	9,101,478	0.87%	0.54%	0.73%	0.48%

Long positions in H Shares

Name of person/entity	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%	5.01%	4.48%
Ms. Chen Wei (陳瑋女士)	Beneficial owner and interest in controlled corporation	73,492,000 *(Note 9)*	11.38%	4.33%	3.87%
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	73,347,000 *(Note 9)*	11.36%	4.32%	3.87%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Interest in controlled corporation	73,347,000 *(Note 9)*	11.36%	4.32%	3.87%
Zeal Warrior Investments Limited	Interest in controlled corporation	73,347,000 *(Note 9)*	11.36%	4.32%	3.87%
Ms. Sun Xiangjun (孫湘君女士)	Spouse interest and interest in controlled corporation	46,071,000 *(Note 11)*	7.13%	2.71%	2.43%
Clear Renown Global Limited (朗譽環球有限公司)	Beneficial owner	42,000,000 *(Note 10)*	6.50%	2.47%	2.21%
Huang Wei Wen (黃偉汶)	Interest in controlled corporation	42,000,000 *(Note 10)*	6.50%	2.47%	2.21%
Guotai Junan Financial	Issuer of investment products	36,300,000 *(Note 11)*	5.62%	2.14%	1.91%
Guotai Junan International	Interest in controlled corporation	36,300,000 *(Note 11)*	5.62%	2.14%	1.91%
Guotai Junan Holdings	Interest in controlled corporation	36,300,000 *(Note 11)*	5.62%	2.14%	1.91%
Guotai Junan Securities	Interest in controlled corporation	36,300,000 *(Note 11)*	5.62%	2.14%	1.91%
Zhongrong International	Investment manager	36,300,000 *(Note 11)*	5.62%	2.14%	1.91%
Gaoxiang Investment	Beneficial owner	36,300,000 *(Note 11)*	5.62%	2.14%	1.91%

Short positions in H Shares

Name of person/entity	Capacity	Number of underlying H Shares (Note 8)	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares (Note 13)
Guotai Junan Financial	Issuer of unlisted and cash settled derivatives	36,300,000 (Note 12)	5.62%	2.14%	1.91%
Guotai Junan International	Interest in controlled corporation	36,300,000 (Note 12)	5.62%	2.14%	1.91%
Guotai Junan Holdings	Interest in controlled corporation	36,300,000 (Note 12)	5.62%	2.14%	1.91%
Guotai Junan Securities	Interest in controlled corporation	36,300,000 (Note 12)	5.62%	2.14%	1.91%
Zhongrong International	Investment manager	36,300,000 (Note 12)	5.62%	2.14%	1.91%
Gaoxiang Investment	Beneficial owner	36,300,000 (Note 12)	5.62%	2.14%	1.91%
Ms. Sun Xiangjun（孫湘君女士）	Interest in controlled corporation	36,300,000 (Note 12)	5.62%	2.14%	1.91%

Notes:

1. 328,363,637 Domestic Shares are held by Tian An Corporate, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by his spouse Ms. Chen Jing. 157,468,698 Domestic Shares are held by Xiao Antenna, which is beneficially owned as to 70% by his father Professor Xiao Liangyong and as to 30% by his spouse Ms. Chen Jing. 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. By virtue of the SFO, each of Ms. Chen Jing and Professor Xiao Liangyong is deemed to be interested in the same 328,363,637, 157,468,698 and 65,000,000 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 Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. 18,500,000 Domestic Shares are held by Shanghai Hongzhen Ningshang, which is beneficially owned as to 83.33% by Mr. Chen Ji and 16.67% by Shanghai Hongzhen Investment, and Shanghai Hongzhen Investment is beneficially owned as to 60% by Gaoxiang Investment. By virtue of the SFO, Ms. Sun Xiangjun is deemed to be interested in the same 254,844,804 and 18,500,000 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）, which is beneficially owned by as to 60% by Ms. Wang Zengdi（王增娣女士）. By virtue of the SFO, Ms. Wang Zengdi 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. 145,000 H Shares are held by Ms. Chen Wei（陳瑋女士）who is beneficial owner of Zeal Warrior Investments Limited ("Zeal Warrior"). 73,347,000 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. By virtue of the SFO, each of Ms. Chen Wei, Oceanic Bliss and Zeal Warrior is deemed to be interested in the same 73,347,000 H Shares.

10. 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 Huang Wei Wen（黃偉汶）. By virtue of the SFO, Huang Wei Wen is deemed to be interested in the same 42,000,000 H Shares.

11. 9,771,000 H Shares are held by Mr. Chen Ji. 36,300,000 H Shares are held in investment products issued by Guotai Junan Financial, which is beneficially owned by Guotai Junan International. Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings, which is beneficially owned by Guotai Junan Securities. Zhongrong International, an investment manager of Gaoxiang Investment, holds such investment products issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. By virtue of the SFO, Ms. Sun Xiangjun is deemed to be interested in the same 9,771,000 and 36,300,000 H Shares, and each of Guotai Junan International, Guotai Junan Holdings, Guotai Junan Securities, Zhongrong International and Gaoxiang Investment is deemed to be interested in the same 36,300,000 H Shares.

12. Short position in 36,300,000 underlying H Shares are derived from unlisted and cash settled derivatives issued by Guotai Junan Financial, which is beneficially owned by Guotai Junan International. Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings, which is beneficially owned by Guotai Junan Securities. Zhongrong International, an investment manager of Gaoxiang Investment, holds such unlisted and cash settled derivatives issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. By virtue of the SFO, each of Guotai Junan International, Guotai Junan Holdings, Guotai Junan Securities, Zhongrong International, Gaoxiang Investment and Ms. Sun Xiangjun is deemed to have short position in the same 36,300,000 underlying 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 200,000,000 Domestic Shares were issued and allotted on 12 March 2020.

Saved as disclosed above, as at 31 December 2019, 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 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 2019, 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles 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.

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 report.

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.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

SUBSEQUENT EVENTS

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..

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 13 to 20 of this annual 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 "西安海天天實業股份有限公司" to "西安海天天綫科技股份有限公司" and the English name "Xi'an Haitian Antenna Technologies Co., Ltd." was adopted for identification purpose on 10 September 2019.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint SHINEWING Certified Public Accountants LLP as the auditor of the Company.

On behalf of the Board

Xiao Bing
Chairman

Xi'an, the PRC
17 April 2020

Auditor's Report

For the year ended 31 December 2019

信永中和
ShineWing

信永中和会计师事务所

ShineWing
certified public accountants

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To all shareholders of Xi'an Haitian Antenna Technologies Co., Ltd.,

I. AUDIT OPINION

We have audited the attached financial statements of Xi'an Haitian Antenna Technologies Co., Ltd. (hereinafter referred to as Haitian Antenna), including Consolidated and Parent Company's Balance Sheets dated on December 31, 2019, Consolidated and Parent Company's Income Statements, Consolidated and Parent Company's Cash Flow Statements, Consolidated and Parent Company's Statements of Changes in Shareholders' Equity, and related Notes to Financial Statements for the year then ended.

In our opinion, the attached financial statements present fairly, in all material respects, the consolidated and parent company's financial positions of Haitian Antenna as at December 31, 2019, and its consolidated and parent company's financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. BASIS TO FORM AUDIT OPINION

We have conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. The section in the auditor's report titled "CPAs' Responsibilities for the Audit of the Financial Statements" further describes our responsibilities under these standards. We conduct our audit independent of Haitian Antenna in accordance with the China Code of Ethics for Certified Public Accountants and fulfill other responsibilities in ethics. We believe that the audit evidence we have obtained is sufficient and appropriate, which has provided a basis for expressing our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are the most important matters for the audit of the current financial statements according to our professional judgment. These matters were addressed in the context of our audit for the entire financial statements and the formation of our opinions thereon. We do not declare a separate opinion on these matters.

III. KEY AUDIT MATTERS *(Continued)*

Key audit matters	Countermeasures in the audit
Matter on purchase of land and real estate	
In 2016, Haitian Antenna paid RMB18,546,000.00 to Xi'an Xiangyu Aviation Technologies Co., Ltd. to purchase the land and above-ground buildings of Xi'an Xiangyu Aviation Technologies Co., Ltd. As of December 31, 2019, the aforesaid land and above-ground building property rights have not been transferred to Haitian Antenna. Haitian Antenna's management has performed impairment calculation of the above advance payment. The management engaged an independent evaluation agency to evaluate the aforesaid land and above-ground buildings and calculate their recovery amount. After evaluation and calculation, no sign of impairment was found in the above-mentioned advance payment. We have recognized the impairment assessment of the payment for the acquisition of land and real estate as a key audit matter, because it is of great significance to the financial statements and involves the estimates and judgments made by the management and appraisers.	We design the following audit procedures: (1) Discussing possible signs of impairment with the management. If the management has identified signs of impairment, the evaluation will be made to the impairment tests conducted by the management and appraisers. (2) Reviewing the management's assessment of possible signs of impairment and the reasonableness of the judgments and estimates adopted by the management and evaluation agency. (3) Reviewing the evaluation report prepared by the independent evaluation agency on December 31, 2019, and evaluating the professional competence of the appraisers and the assumptions and basis for the calculation of the evaluation value. We will also reasonably doubt the reasonableness of the judgments and estimates adopted by the evaluation agency in calculating the evaluation value. (4) Reviewing the lawyers' legal opinions on temporary risk-free status and conditions in Haitian Antenna's power and capital.

IV. OTHER INFORMATION

Haitian Antenna's management (hereinafter referred to as the management) is responsible for other information. Other information includes the information covered in 2019 annual report of Haitian Antenna, but excludes the financial statements and our audit report.

Our opinion on the financial statements does not include other information, and we neither express any form of authentication opinion for other information.

Based on our audit of financial statements, we bear the responsibility of reading other information and considering whether there is any significant inconsistence or seemingly material misstatement between other information and the financial statements or situations obtained by us in the audit process.

If, based on the work we have performed, we conclude that there is a material misstatement in such other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for design, implementation and maintenance of internal control that is deemed necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparation of the financial statement, the management is responsible for assessing Haitian Antenna's going-concern ability, disclosing the going-concern related items (if applicable) and applying going-concern assumptions, unless otherwise the management plans to liquidate Haitian Antenna, stop operation or it has no other practical choice.

The governing level is responsible for supervising the financial reporting process of Haitian Antenna.

VI. CPAS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AUDIT

Our objective is to obtain reasonable assurance that the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users would take on the basis of these financial statements.

As part of an audit in accordance with Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. At the same time, we also:

(1) Identify and assess the risks of material misstatement of the 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 opinions. The risk of not detecting a material misstatement resulting from fraudulent practices is higher than that resulting from mistakes, as fraudulent practices may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) 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 its internal control.

(3) Assess the appropriateness of adopted accounting policies and the reasonableness of accounting estimates and disclosures made by the management.

(4) Conclude the appropriateness of the going-concern assumption made by the management. Meanwhile, based on the audit evidence obtained, the conclusion is drawn on whether there is significant uncertainty in the matters or any circumstances that may lead to major doubts about Haitian Antenna'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 financial statements; if such disclosures are inadequate, we shall give our unqualified opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, the matter or situation in the future may cause Haitian Antenna to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. CPAS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AUDIT *(Continued)*

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Haitian Antenna to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit on the Group, and we remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 governance 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 related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter shall not be communicated in our report because the adverse consequences of doing so will reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants (special general partnership)	Certified Public Accountant of China: (Project partner)
	Certified Public Accountant of China:
Beijing, China	April 17, 2020

Consolidated Balance Sheet

December 31, 2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	No.	December 31, 2019	December 31, 2018
Current assets:			
Cash at bank and on hand	VI, 1	5,675,029.60	6,893,833.34
Settlement reserve		–	–
Loans to banks and other financial institutions		–	–
Financial assets held for trading	VI, 2	12,805,610.08	16,357,612.88
Derivative financial assets		–	–
Notes receivable		–	–
Accounts receivable	VI, 3	911,289.64	948,317.44
Receivables financing		–	–
Advance payments	VI, 4	2,555,414.14	1,548,753.82
Premiums receivable		–	–
Reinsurance premium receivable		–	–
Reinsurance contract reserves receivable		–	–
Other receivables	VI, 5	2,233,310.05	1,722,316.16
Among: interest receivable		–	–
Dividends receivable		–	–
Financial assets purchased under agreements to resell		–	–
Inventories	VI, 6	3,427,665.42	2,638,478.91
Contractual assets		–	–
Held-for-sale assets		–	–
Non-current assets due within one year		–	–
Other current assets	VI, 7	819,188.33	763,073.16
Total current assets		28,427,507.26	30,872,385.71
Non-current assets:			
Loans and advances to customers		–	–
Creditor's right investment		–	–
Other creditor's right investment		–	–
Long-term receivables		–	–
Long-term equity investments	VI, 8	–	1,018,248.34
Other equity instrument investments		–	–
Other non-current financial assets		–	–
Investment properties		–	–
Fixed assets	VI, 9	6,815,669.29	6,712,473.87
Projects under construction	VI, 10	337,640.00	100,000.00
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets	VI, 11	2,496,860.54	–
Intangible assets	VI, 12	66,722,943.01	92,625.30
Development expenditure		–	–
Goodwill		–	–
Long-term deferred expenses	VI, 13	1,976,094.58	3,360,543.51
Deferred income tax assets		–	–
Other non-current assets	VI, 14	18,546,000.00	18,546,006.75
Total non-current assets		96,895,207.42	29,829,897.77
Total assets		125,322,714.68	60,702,283.48

Item	No.	December 31, 2019	December 31, 2018
Current liabilities:			
Short-term borrowings		–	–
Borrowings from the central bank		–	–
Loans from other banks and financial institutions		–	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	VI, 15	11,120,846.07	7,858,713.44
Advance receipts	VI, 16	180,639.40	20,817.90
Contractual liabilities		–	–
Financial assets sold under agreements to repurchase		–	–
Deposits from customers and other financial institutions		–	–
Receiving from vicariously traded securities		–	–
Receiving from vicariously underwritten securities		–	–
Payroll payable	VI, 17	3,801,140.03	3,787,254.52
Taxes and dues payable	VI, 18	2,023,412.35	2,213,840.23
Other payables	VI, 19	26,364,463.25	5,409,476.48
Among: interest payable		–	–
Dividends payable		–	–
Fees and commissions payable		–	–
Reinsurance amounts payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year	VI, 20	2,121,746.95	–
Other current liabilities	VI, 21	42,000,000.00	14,700,000.00
Total current liabilities		87,612,248.05	33,990,102.57
Non-current liabilities:			
Insurance contract reserves		–	–
Long-term borrowings		–	–
Bonds payable		–	–
Among: preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities	VI, 22	116,492.22	–
Long-term payables		–	–
Long-term payroll payable		–	–
Estimated liabilities		–	–
Deferred incomes		–	–
Deferred income tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		116,492.22	–
Total liabilities		87,728,740.27	33,990,102.57

Consolidated Balance Sheet

December 31, 2019

Item	No.	December 31, 2019	December 31, 2018
Shareholders' equity:			
Capital stock	VI, 23	**169,762,900.00**	153,105,882.40
Other equity instruments		**–**	–
Among: preferred shares		**–**	–
Perpetual bonds		**–**	–
Capital reserves	VI, 24	**160,569,046.27**	142,246,326.91
Less: treasury shares		**–**	–
Other comprehensive income		**–**	–
Special reserves		**–**	–
Surplus reserves	VI, 25	**16,435,819.34**	16,435,819.34
General risk reserves		**–**	–
Undistributed profits	VI, 26	**(312,249,722.09)**	(288,014,535.55)
Total shareholders'equity attributable to the parent company		**34,518,043.52**	23,773,493.10
*Minority shareholders' equity		**3,075,930.89**	2,938,687.81
Total shareholders'equity		**37,593,974.41**	26,712,180.91
Total liabilities and shareholders'equity		**125,322,714.68**	60,702,283.48

Legal representative:	Person in charge of accounting:	Person in charge of the accounting firm:
Xiao Bing	**Xu Hao**	**Qiu Ping**

Balance Sheet of Parent Company

December 31, 2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	*No.*	**December 31, 2019**	December 31, 2018
Current assets:			
Cash at bank and on hand		**613,423.61**	995,319.00
Financial assets held for trading		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**–**	–
Accounts receivable	*XVII, 1*	**604,943.64**	5,208,261.53
Receivables financing		**–**	–
Advance payments		**111,000.00**	–
Other receivables	*XVII, 2*	**26,906,006.24**	30,615,173.14
Among: interest receivable		**–**	–
Dividends receivable		**–**	–
Inventories		**647,787.61**	–
Contractual assets		**–**	–
Held-for-sale assets		**–**	–
Non-current assets due within one year		**–**	–
Other current assets		**–**	–
Total current assets		**28,883,161.10**	36,818,753.67
Non-current assets:			
Creditor's right investment		**–**	–
Other creditor's right investment		**–**	–
Long-term receivables		**–**	–
Long-term equity investments	*XVII, 3*	**50,458,068.73**	12,018,248.34
Other equity instrument investments		**–**	–
Other non-current financial assets		**–**	–
Investment properties		**–**	–
Fixed assets		**1,416,470.60**	1,793,234.15
Projects under construction		**–**	–
Bearer biological assets		**–**	–
Oil and gas assets		**–**	–
Right-of-use assets		**–**	–
Intangible assets		**77,805.30**	92,625.30
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term deferred expenses		**1,219,028.86**	2,482,962.36
Deferred income tax assets		**–**	–
Other non-current assets		**18,546,000.00**	18,546,000.00
Total non-current assets		**71,717,373.49**	34,933,070.15
Total assets		**100,600,534.59**	71,751,823.82

Balance Sheet of Parent Company

December 31, 2019

Item	No.	December 31, 2019	December 31, 2018
Current liabilities:			
Short-term borrowings		–	–
Financial liabilities held for trading		–	–
Notes payable		–	–
Accounts payable		4,844,189.53	10,686,203.53
Advances receipts		–	–
Contractual liabilities		–	–
Payroll payable		2,560,954.02	2,560,954.02
Taxes payable		1,771,746.89	1,931,944.25
Other payables		18,328,551.62	29,532,977.06
Among: interest payable		–	–
Dividends payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year		–	–
Other current liabilities		42,000,000.00	14,700,000.00
Total current liabilities		69,505,442.06	59,412,078.86
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Among: preferred shares			
Perpetual bonds		–	–
Lease liabilities		–	–
Long-term payables		–	–
Long-term payroll payable		–	–
Estimated liabilities		–	–
Deferred incomes		–	–
Deferred income tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		–	–
Total liabilities		69,505,442.06	59,412,078.86

Item	No.	December 31, 2019	December 31, 2018
Shareholders' equity:			
Capital stock		**169,762,900.00**	153,105,882.40
Other equity instruments		–	–
Among: preferred shares		–	–
Perpetual bonds		–	–
Capital reserves		**158,460,762.84**	140,138,043.48
Less: treasury shares		–	–
Other comprehensive income		–	–
Special reserves		–	–
Surplus reserves		**16,435,819.34**	16,435,819.34
Undistributed profits		**(313,564,389.65)**	(297,340,000.26)
Total shareholders' equity		**31,095,092.53**	12,339,744.96
Total liabilities and shareholders' equity		**100,600,534.59**	71,751,823.82

Legal representative:
Xiao Bing

Person in charge of accounting:
Xu Hao

Person in charge of the accounting firm:
Qiu Ping

Consolidated Income Statement

2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	No.	2019	2018
I. Total operating revenue	VI, 27	39,163,021.88	44,455,522.46
Among: Operating income		39,163,021.88	44,455,522.46
Interest income		–	–
Earned premiums		–	–
Handling fee and commission incomes		–	–
II. Total operating cost		63,807,660.85	66,212,484.75
Among: Operating costs	VI, 27	37,795,984.51	43,369,330.75
Interest expenses		–	–
Handling fee and commission expenses		–	–
Cash surrender value		–	–
Net compensation expenses		–	–
Net appropriation of policy reserve		–	–
Policy dividend expenses		–	–
Reinsurance expenses		–	–
Taxes and surcharges	VI, 28	110,759.52	68,792.14
Selling expenses	VI, 29	688,949.99	420,994.97
Administrative expenses	VI, 30	21,400,702.24	20,229,029.96
R&D expenses	VI, 31	628,709.24	2,195,006.67
Financial expenses	VI, 32	3,182,555.35	(70,669.74)
Among: interest expenses		3,179,495.01	0.00
Interest income		19,357.36	26,902.67
Plus: other income	VI, 33	70,000.00	33,000.00
Investment income (for loss)	VI, 34	(2,109,911.57)	(467,311.09)
Among: Income from investment in associates and joint ventures		(1,039,916.57)	(481,751.66)
Derecognition income of financial assets measured at the amortized cost		–	–
Exchange gain ("–" for loss)		–	–
Net exposure hedging income ("–" for loss)		–	–
Gain from changes in fair value ("–" for loss)	VI, 35	(3,556,002.80)	(8,788,406.92)
Credit impairment loss ("–" for loss)	VI, 36	1,119,467.07	(1,938,167.68)
Asset impairment loss ("–" for loss)	VI, 37	–	(7,436,805.16)
Gain from assets disposal ("–" for loss)	VI, 38	(30,917.50)	–
III. Operating profit ("–" for loss)		(29,152,003.77)	(40,354,653.14)
Plus: non-operating revenue	VI, 39	5,821,211.91	414,414.60
Less: non-operating expenses	VI, 40	745,391.31	1,015,306.63
IV. Total profit ("–" for total loss)		(24,097,943.46)	(40,955,545.17)
Less: income tax expenses	VI, 41	21,760.29	12,051.04
IV. Net profit ("–" for net loss)		(24,097,943.46)	(40,967,596.21)
(I) By business continuity		(24,097,943.46)	(40,967,596.21)
1. Net profit from continuing operations ("–" for net loss)		(24,097,943.46)	(40,967,596.21)
2. Net profit from discontinued operations ("–" for net loss)			
(II) By ownership		(24,097,943.46)	(40,967,596.21)
1. Net profit attributable to the owners of the parent company ("–" for net loss)		(24,235,186.54)	(41,080,399.03)
2. Minority profit and loss ("–" for net loss)		137,243.08	112,802.82

Item	No.	2019	2018
V. Net of tax of other comprehensive income		**–**	–
Net of tax of other comprehensive income attributable to the owners of the parent company		**–**	–
(I) Other comprehensive income that cannot be reclassified to profit or loss		**–**	–
1. Changes arising from re-measurement of the defined benefit plan		**–**	–
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		**–**	–
3. Changes in fair value of other equity instrument investments		**–**	–
4. Changes in fair value of the enterprise's credit risk		**–**	–
5. Others		**–**	–
(II) Other comprehensive income that will be reclassified to profit or loss		**–**	–
1. Other comprehensive income that may be reclassified to profit or loss under the equity method		**–**	–
2. Changes in fair value of other creditor's right investments		**–**	–
3. Amount of financial assets reclassified to other comprehensive income		**–**	–
4. Provision for credit impairment of other creditor's right investments		**–**	–
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)		**–**	–
6. Translation difference of foreign currency financial statements		**–**	–
7. Others		**–**	–
Net of tax of other comprehensive income attributable to minority shareholders		**–**	–
VI. Total comprehensive income		**(24,097,943.46)**	(40,967,596.21)
Total comprehensive income attributable to shareholders of the parent company		**(24,235,186.54)**	(41,080,399.03)
Total comprehensive income attributable to minority shareholders		**137,243.08**	112,802.82
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)		**(0.0158)**	(0.0268)
(II) Diluted earnings per share (RMB/share)		**(0.0158)**	(0.0268)

Legal representative:	Person in charge of accounting:	Person in charge of the accounting firm:
Xiao Bing	**Xu Hao**	**Qiu Ping**

Income Statement of Parent Company

2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	No.	2019	2018
I. Operating revenue	*XVII, 4*	**2,279,596.82**	270,007.39
Less: operating cost	*XVII, 4*	**1,947,402.59**	67,178.67
Taxes and surcharges		**21,307.00**	9,207.38
Selling expenses		**407,394.78**	38,642.43
Administrative fees		**11,009,457.80**	8,751,703.67
R&D expenses		**637,606.20**	530,582.00
Financial expenses		**29,813.78**	(118,768.69)
Among: interest expenses		**–**	–
Interest income		**752.77**	8,547.24
Plus: other income		**50,000.00**	33,000.00
Investment income ("–" for loss)	*XVII, 5*	**(1,039,916.57)**	(481,751.66)
Among: income from investment in associates and joint ventures		**(1,039,916.57)**	(481,751.66)
Derecognition income of financial assets measured at amortized cost		**–**	–
Net exposure hedging income ("-" for loss)		**–**	–
Income from changes in fair value ("-" for loss)		**–**	–
Credit impairment loss ("–" for loss)		**(2,822,491.64)**	(4,554,284.31)
Asset impairment loss ("–" for loss)		**–**	(14,030,652.12)
Income from assets disposal ("–" for loss)		**(30,917.50)**	–
II. Operating profit ("–" for loss)		**(15,616,711.04)**	(28,042,226.16)
Plus: non-operating revenue		**18,157.90**	307,535.00
Less: non-operating expenses		**625,836.25**	940,000.00
III. Total profit ("–" for total loss)		**(16,224,389.39)**	(28,674,691.16)
Less: income tax expenses		**–**	–
IV. Net profit ("–" for net loss)		**(16,224,389.39)**	(28,674,691.16)
(I) Net profit from continuing operations ("-" for net loss)		**(16,224,389.39)**	(28,674,691.16)
(II) Net profit from discontinued operations ("-" for net loss)		**–**	–
V. Net of tax of other comprehensive income		**–**	–
(I) Other comprehensive income that cannot be reclassified to profit or loss		**–**	–
1. Changes arising from re-measurement of the defined benefit plan		**–**	–
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		**–**	–
3. Changes in fair value of other equity instrument investments		**–**	–
4. Changes in fair value of the enterprise's credit risk		**–**	–
5. Others		**–**	–
(II) Other comprehensive income that will be reclassified to the profit or loss		**–**	–
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		**–**	–
2. Changes in fair value of other creditor's right investments		**–**	–
3. Amount of financial assets reclassified to other comprehensive income		**–**	–
4. Provision for credit impairment of other creditor's right investments		**–**	–
5. Reserves for cash flow hedge (effective parts of cash flow hedge profit or loss)		**–**	–
6. Translation difference of foreign currency financial statements		**–**	–
7. Others		**–**	–
VI. Total comprehensive income		**(16,224,389.39)**	(28,674,691.16)

Legal representative:	Person in charge of accounting:	Person in charge of the accounting firm:
Xiao Bing	**Xu Hao**	**Qiu Ping**

Consolidated Cash Flow Statement

2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	No.	2019	2018
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		**44,300,156.59**	50,941,592.77
Net increase in deposits from customers and other financial institutions		–	–
Net increase of borrowings from the central bank		–	–
Net increase in loans from other financial institutions		–	–
Cash received from premiums of original insurance contract		–	–
Net cash received reinsurance business		–	–
Net increase in deposits and investment amount from policyholders		–	–
Cash received from interests, fees and commissions		–	–
Net increase in loans from other banks and financial institutions		–	–
Net increase in funds for repurchase business		–	–
Net cash from vicariously traded securities		–	–
Refund of taxes and surcharges		**677,390.41**	–
Other cash received relating to operating activities	*VI, 42*	**3,511,805.43**	3,436,055.26
Subtotal of cash inflows from operating activities		**48,489,352.43**	54,377,648.03
Cash paid for purchase of goods and receipt of services		**43,253,254.84**	49,545,620.11
Net increase in loans and advances to customers		–	–
Net increase in deposits with the central bank and other banks		–	–
Cash paid for claim settlements on original insurance contract		–	–
Net increase in financial assets held for trading purposes		–	–
Net increase in lendings to banks and other financial institutions		–	–
Cash paid for interests, fees and commissions		–	–
Cash paid for policy dividends		–	–
Cash paid to and for employees		**10,317,223.93**	9,641,214.87
Taxes and dues paid		**295,677.52**	401,391.48
Other cash paid relating to operating activities	*VI, 42*	**9,529,208.69**	15,488,605.26
Subtotal of cash outflows for operating activities		**63,395,364.98**	75,076,831.72
Net cash flows from operating activities		**(14,906,012.55)**	(20,699,183.69)
II. Cash flows from investing activities:			
Cash received from recouping investment		**72,093.44**	24,385.57
Cash received from investment income		–	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	–
Net cash received from disposal of subsidiaries and other business entities		–	–
Other cash received relating to investing activities		–	–
Subtotal of cash inflows from investing activities		**72,093.44**	24,385.57

Consolidated Cash Flow Statement

2019

Item	No.	2019	2018
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		**941,022.32**	1,298,741.73
Cash paid to acquire investments		**4,539,180.00**	1,509,945.00
Net increase in pledge loans		**–**	–
Net cash paid for acquisition of subsidiaries and other business entities		**(611,469.57)**	–
Other cash paid relating to investing activities		**–**	–
Subtotal of cash outflows for investing activities		**4,868,732.75**	2,808,686.73
Net cash flows from investing activities		**(4,796,639.31)**	(2,784,301.16)
III. Cash flows from financing activities:			
Cash received from absorbing investment		**27,300,000.00**	14,700,000.00
Among: cash received from minority shareholders' investment in subsidiaries		**–**	–
Cash received from borrowings		**52,467,891.62**	–
Cash received from insurance of bonds		**–**	–
Other cash received relating to financing activities	*VI, 42*	**18,000,000.00**	–
Subtotal of cash inflows from financing activities		**97,767,891.62**	14,700,000.00
Cash paid for repayment of debts		**50,000,000.00**	–
Cash paid for distribution of dividends, profits or repayment of interests		**3,066,666.66**	–
Among: dividends and profits paid to minority shareholders by subsidiaries		**–**	–
Other cash paid relating to financing activities	*VI, 42*	**26,225,011.39**	–
Subtotal of cash outflows for financing activities		**79,291,678.05**	–
Net cash flows from financing activities		**18,476,213.57**	14,700,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**7,634.55**	866,194.23
V. Net increase in cash and cash equivalents		**(1,218,803.74)**	(7,917,290.62)
Plus: beginning balance of cash and cash equivalents		**6,893,833.34**	14,811,123.96
VI. Ending balance of cash and cash equivalents		**5,675,029.60**	6,893,833.34

Legal representative:
Xiao Bing

Person in charge of accounting:
Xu Hao

Person in charge of the accounting firm:
Qiu Ping

Cash Flow Statement of Parent Company

2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	*No.*	**2019**	2018
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		**2,999,936.09**	542,149.54
Refund of taxes and surcharges		**–**	–
Other cash received relating to operating activities		**87,430.10**	23,125,569.60
Subtotal of cash inflows from operating activities		**3,087,366.19**	23,667,719.14
Cash paid for purchase of goods and receipt of services		**2,553,718.29**	309,241.00
Cash paid to and for employees		**4,328,938.55**	3,212,129.42
Taxes and surcharges payments		**154,923.36**	326,599.56
Other cash paid relating to operating activities		**6,069,281.65**	29,320,904.49
Subtotal of cash outflows for operating activities		**13,106,861.85**	33,168,874.47
Net cash flows from operating activities		**(10,019,495.66)**	(9,501,155.33)
II. Cash flows from investing activities:			
Cash received from recouping investment		**–**	–
Cash received from investment income		**–**	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**–**	–
Net cash received from disposal of subsidiaries and other business entities		**–**	–
Other cash received relating to investing activities		**–**	–
Subtotal of cash inflows from investing activities		**–**	–
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		**–**	332,947.19
Cash paid to acquire investments		**4,500,000.00**	12,804,235.00
Net cash paid for acquisition of subsidiaries and other business entities		**–**	–
Other cash paid relating to investing activities		**–**	–
Subtotal of cash outflows for investing activities		**4,500,000.00**	13,137,182.19
Net cash flows from investing activities		**(4,500,000.00)**	(13,137,182.19)
III. Cash flows from financing activities:			
Cash received from absorbing investment		**27,300,000.00**	14,700,000.00
Cash received from borrowings		**–**	–
Cash received from issuance of bonds		**–**	–
Other cash received relating to financing activities		**13,197,755.38**	–
Subtotal of cash inflows from financing activities		**40,497,755.38**	14,700,000.00
Cash paid for repayment of debts		**–**	–
Cash paid for distribution of dividends, profits or repayment of interests		**–**	–
Other cash paid relating to financing activities		**26,347,804.75**	–
Subtotal of cash outflows for financing activities		**26,347,804.75**	–
Net cash flows from financing activities		**14,149,950.63**	14,700,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**(12,350.36)**	908,035.09
V. Net increase in cash and cash equivalents		**(381,895.39)**	(7,030,302.43)
Plus: beginning balance of cash and cash equivalents		**995,319.00**	8,025,621.43
VI. Ending balance of cash and cash equivalents		**613,423.61**	995,319.00

Legal representative:
Xiao Bing

Person in charge of accounting:
Xu Hao

Person in charge of the accounting firm:
Qiu Ping

Consolidated Statement of Changes in Shareholders' Equity

2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	2019													
	Equity attributable to shareholders of the parent company													
		Other equity instruments												
	Capital stock	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits	Others	Minority equity	Total shareholders' equity
I. Closing balance of the previous year	153,105,882.40	-	-	-	142,246,326.91	-	-	-	16,435,819.34	-	(288,014,535.55)	-	2,938,687.81	26,712,180.51
Plus: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger of businesses under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	153,105,882.40	-	-	-	142,246,326.91	-	-	-	16,435,819.34	-	(288,014,535.55)	-	2,938,687.81	26,712,180.51
III. Changes of the current year ("-" for decrease)	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	(24,235,186.54)	-	137,243.08	10,881,793.50
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	(24,235,186.54)	-	137,243.08	(24,097,943.46)
(II) Capital invested and reduction by shareholders	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	-	-	-	34,979,736.96
1. Common shares invested by shareholders	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	-	-	-	34,979,736.96
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Elimination of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	169,762,900.00	-	-	-	160,569,046.27	-	-	-	16,435,819.34	-	(312,249,722.09)	-	3,075,930.89	37,593,974.41

Legal representative: Xiao Bing | **Person in charge of accounting: Xu Hao** | **Person in charge of the accounting firm: Qiu Ping**

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

	2018													
	Equity attributable to shareholders of the parent company													
		Other equity instruments												
Item	Capital stock	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits	Others	Minority equity	Total shareholders' equity
I. Closing balance of the previous year	153,105,882.40	–	–	–	142,246,326.91	–	–	–	16,435,819.34	–	(246,934,136.52)	–	2,825,884.99	67,679,777.12
Plus: changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Corrections of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Merger of businesses under the same control	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Opening balance of the current year	153,105,882.40	–	–	–	142,246,326.91	–	–	–	16,435,819.34	–	(246,934,136.52)	–	2,825,884.99	67,679,777.12
III. Changes of the current year ("-" for decrease)	–	–	–	–	–	–	–	–	–	–	(41,080,399.03)	–	112,802.82	(40,967,596.21)
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	(41,080,399.03)	–	112,802.82	(40,967,596.21)
(II) Capital invested and reduction by shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Common shares invested by shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital invested by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payment recognized as shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriation of surplus reserves	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriation of general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distribution to shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(IV) Internal carry-over in shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Transfer from capital reserves to capital stock	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer from surplus reserves to capital stock	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Making Up of losses by surplus reserves	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Retained earnings carried over from changes in defined benefit plans	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Retained earnings carried over from other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Special reserves	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriation in the current year	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Use in the current year	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Closing balance of the current year	**153,105,882.40**	**–**	**–**	**–**	**142,246,326.91**	**–**	**–**	**–**	**16,435,819.34**	**–**	**(288,014,535.55)**	**–**	**2,938,687.81**	**26,712,180.91**

Legal representative: Xiao Bing

Person in charge of accounting: Xu Hao

Person in charge of the accounting firm: Qiu Ping

Statements of Changes in Shareholders' Equity of the Parent Company

2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

Item	2019											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
Item	Capital stock	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Closing balance of the previous year	153,105,882.40	-	-	-	140,138,043.48	-	-	-	16,435,819.34	(297,340,000.26)	-	12,339,744.96
Plus: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	153,105,882.40	-	-	-	140,138,043.48	-	-	-	16,435,819.34	(297,340,000.26)	-	12,339,744.96
III. Changes of the current year ("-" for decrease)	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	(16,224,389.39)	-	18,755,347.57
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	(16,224,389.39)	-	(16,224,389.39)
(II) Capital invested and reduction by shareholders	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	-	34,979,736.96
1. Common shares invested by shareholders	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	-	34,979,736.96
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-
3. Making Up of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current year	-	-	-	-	-	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	169,762,900.00	-	-	-	158,460,762.84	-	-	-	16,435,819.34	(313,564,389.65)	-	31,095,092.53

Legal representative:
Xiao Bing

Person in charge of accounting:
Xu Hao

Person in charge of the accounting firm:
Qiu Ping

Statements of Changes in Shareholders' Equity of the Parent Company

2019

Prepared by: Xi'an Haitian Antenna Technologies Co., Ltd. *Unit: RMB*

	2018											
	Equity attributable to shareholders of the parent company											
		Other equity instruments										
Item	Capital stock	Preferred shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Closing balance of the previous year	153,105,882.40	–	–	–	140,138,043.48	–	–	–	16,435,819.34	(268,665,309.10)	–	41,014,436.12
Plus: changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Corrections of prior period errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
II. Opening balance of the current year	153,105,882.40	–	–	–	140,138,043.48	–	–	–	16,435,819.34	(268,665,309.10)	–	41,014,436.12
III. Changes of the current year ("-" for decrease)	–	–	–	–	–	–	–	–	–	(28,674,691.16)	–	(28,674,691.16)
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	(28,674,691.16)		(28,674,691.16)
(II) Capital invested and reduction by shareholders	–	–	–	–	–	–	–	–	–	–	–	–
1. Common shares invested by shareholders	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital invested by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payment recognized as shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriation of surplus reserves	–	–	–	–	–	–	–	–	–	–	–	–
2. Distribution to shareholders	–	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–	–	–
(IV) Internal carry-over in shareholders' equity	–	–	–	–	–	–	–	–	–	–	–	–
1. Transfer from capital reserves to capital stock	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer from surplus reserves to capital stock	–	–	–	–	–	–	–	–	–	–	–	–
3. Making Up of losses by surplus reserves	–	–	–	–	–	–	–	–	–	–	–	–
4. Retained earnings carried over from changes in defined benefit plans	–	–	–	–	–	–	–	–	–	–	–	–
5. Retained earnings carried over from other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–
(V) Special reserves	–	–	–	–	–	–	–	–	–	–	–	–
1. Appropriation in the current year	–	–	–	–	–	–	–	–	–	–	–	–
2. Use in the current year	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–
IV. Closing balance of the current year	153,105,882.40	–	–	–	140,138,043.48	–	–	–	16,435,819.34	(297,340,000.26)	–	12,339,744.96

Legal representative: Xiao Bing **Person in charge of accounting: Xu Hao** **Person in charge of the accounting firm: Qiu Ping**

I. BASIC INFORMATION OF THE COMPANY

(1) Place of registration, organizational form and address of headquarters of the Company

Incorporated and established on October 13, 1999, Xi'an Haitian Antenna Technologies Co., Ltd. (hereinafter referred to as the Company, and/or collectively referred to as the Group, if it includes any subsidiary) is a limited company by shares (and a listed joint venture co-funded by investors from both Taiwan, Hong Kong, Macao and Mainland China), holding a Business License for Legal Person with a unified credit code numbered as 916101317101664434, issued by the Xi'an Administration for Industry and Commerce, which domicile is located at No. 25 Shuoshi Road, Xi'an High-tech Industries Development Zone, legally represented by XIAO Bing, with the registered capital of RMB169,762,900, including paid-in capital of RMB169,762,900;

The H shares issued by the Company have been listed on GEM of the Hong Kong Stock Exchange, from November 5, 2003.

The Company's business scope mainly includes: mobile communication system antennas and antenna engineering products, microwave technology products, communication electronics products, data communication products, underwater/underground engineering and monitoring equipment, aerospace products, aircraft parts & components (except for those subject to special entry administration and control measures taken as per national regulations); R & D, production, sales, installation, testing and service of office automation equipment, instruments & meters, electronic industrial equipment and corresponding systemic works (any of the above business items, if requires any permit, shall not be conducted unless so permitted) (except for those requiring national approval).

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's consolidated financial statements cover Xi'an Haitian Antenna Technologies Co., Ltd., Xi'an Haitian Communication System Engineering Co., Ltd. (hereinafter referred to as Haitian Communication), Xi'an Haitian Wireless System Equipment Co., Ltd. (hereinafter referred to as Haitian Wireless), and Haitian Antenna (Shanghai) International Trade. Co., Ltd. (hereinafter referred to as Haitian Shanghai), Yixian Hailan Natural Agricultural Development Co., Ltd. (hereinafter referred to as Yixian Hailan), Xi'an Haitian Marine Technologies Co., Ltd. (hereinafter referred to as Haitian Marine), Xi'an Haitian Automotive Electronic Technologies Co., Ltd. (hereinafter Haitian Automobile), Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd. (hereinafter referred to as Haitian Aviation), Beijing Hailan Taihang Technology Development Co., Ltd. (hereinafter referred to as Beijing Hailan), Wuxi Shanshui Haitian Network Technologies Co., Ltd. (hereinafter referred to as Wuxi Shanshui), Shaanxi Haitian Luotai Aviation Light Engine Technologies Co., Ltd. (hereinafter referred to as Haitian Luotai), Suzhou Haitian New Antenna Technologies Co., Ltd. (hereinafter referred to as Suzhou Haitian) and Haitian Antenna (Hong Kong) Limited (hereinafter referred to as Haitian Hongkong), total 13 companies. Compared with the previous year, an additional company, Suzhou Haitian company, was included due to acquisition in this year.

See relevant contents of "VII. Changes in Consolidation Scope" and "VIII. Interests in Other Entities" in this Notes for details.

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Preparation basis

On the going-concern basis, the financial statements of the Company have been prepared in accordance with actually-occurring transactions and items, the Accounting Standards for Business Enterprises issued by the Ministry of Finance and other relevant regulations, and disclosure requirements in Companies Ordinance of Hong Kong and Rules Governing the Listing of Securities/Rules Governing the Listing of Securities on GEM issued by Hong Kong Exchange, and accounting policies and accounting estimates stated in "IV. Significant Accounting Policies and Accounting Estimates" of the Notes.

2. Going concern

Since the end of the reporting period, the Company has no significant doubt about the Company's ability to continue as a going concern for 12 months, so it is reasonable to prepare financial statements on the basis of going concern.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with Accounting Standards for Business Enterprises (ASBE)

The financial statements prepared by the Company conform to the requirements of the accounting standards for business enterprises, and truly and completely reflect the Group's financial position, operating results, cash flow and other relevant information.

2. Accounting period

An accounting period of the Group is from January 1 to December 31 of each calendar year.

3. Business cycle

The business cycle of the Group is 12 months.

4. Recording currency

RMB is the recording currency for the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

5. Accounting treatment for business combination under common control and not under common control

The assets and liabilities acquired by the Company, as the combination party, from business combination under common control should be measured based on the book value in the ultimate controlling party consolidated statements of the combined party on the combination date. The balance between the book value of the net assets obtained and the book value of the consolidated consideration paid shall be used to adjust the capital reserves; and where the capital reserves are not sufficient to be offset, the retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired by the acquiree in the business combination not under common control are measured at fair value on the acquisition date. The combined cost is the sum of fair value of cash or non-cash assets paid, liabilities issued or assumed, equity securities issued, etc. for obtaining the control right of the acquiree and various direct expenses in business combination (in the business merger realized step by step through several transactions, the combined cost is the sum of the cost for each single transaction). Positive balance between the combined cost and the fair value of the identifiable net assets of the acquiree obtained during the combination shall be recognized as goodwill; and if the combined cost is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in combination and the fair value of non-cash assets of consolidated consideration or equity security issued shall be re-checked first. If the combined cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in the current non-operating revenue.

6. Preparation methods of consolidated financial statements

The Company incorporates all subsidiaries controlled by it into consolidated financial statements.

When preparing consolidated financial statements, if the accounting policy or the accounting period adopted is inconsistent between the subsidiaries and the Company, the financial statements of subsidiaries shall be adjusted according to the accounting policy or the accounting period of the Company.

All significant internal transactions, current balances and unrealized profits within the consolidation scope are offset in preparing consolidated statements. Shares in owner's equity of subsidiaries but not attributed to the parent company, net profit and loss for the current period, other comprehensive income and shares attributed to minority interest in total comprehensive income shall be presented in consolidated financial statements as "minority interest, non-controlling interests, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders".

Operating results and cash flows of subsidiaries which are acquired by business combination under common control are included in the consolidated financial statements at the beginning of the current period of the combination. Upon the preparation of comparative consolidated financial statements, any adjustments to relevant items in financial statements of the previous year are considered as the subject of reports formed after combination as if it might have existed since the time when final controlling party begin to take the control.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Preparation methods of consolidated financial statements *(Continued)*

As to the equity of the investee under common control obtained step by step through multiple transactions and the business combination finally formed, when preparing the consolidated statements, it shall be deemed as the adjustment in the beginning of the control of the ultimate controlling party, namely, in the current state. When preparing the comparative statements, with the limit of being not earlier than the time point that the Group and the combined party are under the control of ultimate controlling party, related assets and liabilities of the combined party will be incorporated into the comparative statements of the Group's consolidated financial statements, and the combined and increased net assets will be adjusted in the relevant items under the owner's equity in the comparative statements. In order to avoid repeated calculation of value of net assets of the combined party, the long-term equity investment held by the Group before the combination is achieved, the changes in relevant profits and losses, other comprehensive income and other net asset that have been recognized in the period from the later date, when the long-term equity investment is acquired and when the Group and the combined party are under the final control of the same party, to the combination date, shall respectively be applied to write down the opening retained earnings or current profits and losses during the period of comparative statement.

As for subsidiaries acquired by business combination not under common control, operating results and cash flows shall be incorporated into consolidated financial statements from the date when the Group takes the control. In preparing consolidated financial statements, adjustments to financial statements of subsidiaries are based on the fair value of identifiable assets, liabilities or contingent liabilities, which is identified at the purchase date.

As to the equity of the investee not under common control obtained step by step through multiple transactions and the business combination finally formed, when preparing the consolidated statements, the equity held by the acquiree before the acquisition date shall be remeasured according to the fair value of the equity on the acquisition date, the difference between the fair value and its book value shall be included in the current investment income. If the relevant equity held by the acquiree before the acquisition date is involved in other comprehensive income and changes in other owners' equity other than the net profit and loss, other comprehensive income and profit distribution under the accounting of equity method, it shall be transferred as the investment profit and loss in the current period of the acquisition date, except for other comprehensive income incurred by the changes in the net liabilities or net assets due to the investee's remeasurement of the defined benefit plan.

The Group disposes of the long-term equity investment against subsidiaries partially without losing control right; in the consolidated financial statements, as for the balance between the disposing amount and the net asset continuously calculated from the purchase date or combining date of the subsidiary enjoyed correspondingly in disposing long-term equity investment, capital premium or share premium shall be adjusted; and if the capital reserves are not sufficient for offset, the retained earnings shall be adjusted.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Preparation methods of consolidated financial statements *(Continued)*

Where control right over the investee is lost due to the disposal of partial equity investment of the Group or other reasons, the residual equity will be remeasured based on the fair value thereof on the day the control is lost when preparing the consolidated financial statements. The balance from the sum of the consideration obtained from the equity disposal and the fair value of the residual equity minus the net assets of the original subsidiaries calculated continuously in proportion to the original holdings from the purchase date or combining date shall be included in the investment income of the current period in which the control right is lost, with goodwill written off simultaneously. Other comprehensive income related with the equity investment of the original subsidiaries shall be converted to the current investment profit and loss when losing the control right.

When the Group disposes of equity investment of the subsidiaries step by step through multiple transactions till losing the control right, if various transactions from disposal of equity investment of subsidiaries till losing the control right belong to package deal, accounting treatment shall be conducted for each transaction as the transaction that disposes of subsidiary with loss of control right. Nonetheless, before loss of control right, the balance between each disposal price and the net asset share of such subsidiary enjoyed correspondingly in asset disposal is recognized in the other comprehensive income in the consolidated financial statements and transferred into the current profit and loss when losing control right.

7. Basis of recognition of cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to both cash on hand and the deposit held in bank available for payment at any time. Cash equivalent in the cash flow statement refers to the investment with a term not more than 3 months and high liquidity, easily converted to known amounts of cash and having low value change risk.

8. Foreign currency transactions and translation of foreign currency statements

(1) Foreign currency transaction

The amount of the Group's foreign currency transactions shall be translated into that in RMB at the spot exchange rate on the transaction date (or as the actual conditions may be). On the balance sheet date, monetary items in foreign currency are translated into RMB at spot rate of such date, and translation balance arising from which is directly included in the current profits and losses, except for exchange balances resulting from specific borrowings in foreign currency for purchasing and constructing or producing assets that conforms to capitalization conditions, and such exchange balances shall be treated as per the principles of capitalization.

(2) Translation of foreign currency financial statements

Items in assets and liabilities of balance sheet in foreign currency are translated at the spot rate of the balance sheet date; except for "undistributed profits", items in ownership interests are translated at the spot rate when transactions occur; and income and expenses in income statements are translated at the spot rate of the date when transactions occur (or as the actual conditions may be). Translation balance in the foreign currency statements arising from translations above shall be presented in items of other comprehensive income under owner's equity. Foreign currency cash flow shall be translated at the spot rate on the date that cash flow occurs (or as the actual conditions may be). Amount affected by change in exchange rate on cash shall be listed in the cash flow statement separately.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial assets and financial liabilities

The Group will recognize a financial asset or financial liability at the time when it becomes one party to the contract of the financial instruments.

(1) Financial assets

1) *Classification, basis of recognition and measurement of financial assets*

According to the business model of financial assets management and the contractual cash flow characteristics of financial assets, the Group classifies financial assets into financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through current profits and losses.

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets measured at amortized cost: (1) the business model of the financial assets management takes the collection of contractual cash flow as the objective. (2) The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and the subsequent measurement will be conducted at the amortized cost. The difference between the initial amount and due amount shall be amortized by the effective interest method, unless designated for the hedged items, and the gain or loss arising from its amortization, impairment, exchange gain or loss and derecognition shall be included in the current profits and losses.

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets at fair value through other comprehensive income: (1) the business model of the financial assets management takes the collection of contractual cash flow and the of such financial assets as the objective. (2) The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount. The gains or losses of such financial assets, other than the credit impairment loss or gain, exchange gain or loss and interest of such financial assets calculated by the effective interest method, shall be included in other comprehensive income, unless designated for the hedged items. When the financial assets are derecognized, the accumulative gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income, and included in the current profits and losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial assets and financial liabilities *(Continued)*

(1) Financial assets *(Continued)*

1) *Classification, basis of recognition and measurement of financial assets (Continued)*

The Group shall designate the non-trading equity instrument investment as the financial assets at fair value through other comprehensive income. This designation shall not be revoked once made. The non-trading equity instrument investment at fair value through other comprehensive income that the Company designates shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognized amount; and other relevant gains and losses (including the exchange gain or loss) shall be included in other comprehensive income, and shall not be transferred in the current profits and losses subsequently, but the obtained dividends (except for those belonging to the investment cost recovered). When it is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive incomes and included in retained earnings.

The Company will classify the financial assets other than the above financial assets measured at the amortized cost and the financial assets at fair value through other comprehensive income into the financial assets at fair value through current profits and losses. Such financial assets shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the current profits and losses directly. The gain or loss of such financial assets shall be included in the current profits and losses.

2) *Basis of recognition and measurement of transfer of financial assets*

The Group will derecognize the financial assets that meet one of the following conditions: (1) the contractual right of collecting the cash flow of such financial assets is terminated; (2) the financial assets are transferred, and the Company has transferred almost all risks and rewards related to the ownership of the financial assets; and (3) the financial assets are transferred, and the Company neither transfers nor retains almost all risks and rewards related to the ownership of the financial assets, as well as the control over such financial assets.

If the entire transfer of the financial assets meets derecognition conditions, the difference between the book value of transferred financial asset and the sum of consideration received from the transfer and the amount originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) shall be included in the current profits and losses.

If the partial transfer of the financial assets meets derecognition conditions, the entire book value of the transferred financial assets shall be amortized at their own relative fair values between the derecognized part and the underecognized part, and the difference between the sum of consideration received from the transfer and the amount which should be amortized to the derecognized part, originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognized part (the contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) and the entire book value of the aforesaid financial assets amortized shall be included in the current profits and losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial assets and financial liabilities *(Continued)*

(2) Financial liabilities

1) *Classification, basis of recognition and measurement of financial liabilities*

Financial liabilities of the Group are classified, at the time of initial recognition, into financial liabilities at fair value through current profits and losses and other financial liabilities.

The financial liability at fair value through current profits and losses is measured subsequently, including financial liabilities held for trading and financial liabilities designated at fair value through current profits and losses when initially recognizing (relevant classification basis shall be disclosed with reference to financial asset's classification basis). The profit or loss occurred from change of the fair value and the relevant dividend and interest expenditure of such financial liability are included in the current profits and losses.

Other financial liabilities are subsequently measured at the amortized cost according to the effective interest method. Except for the following items, the Company classifies the financial liabilities as the financial liabilities measured at amortized cost: (1) financial liabilities at fair value through profit or loss, including the financial liabilities held for trading (including derivative instruments belonging to the financial liabilities) and financial liabilities designated as at fair value through profit or loss. (2) Financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to involve in the transferred financial assets. (3) Financial guarantee contracts that do not fall under the above circumstances (1) or (2) and loan commitments that do not fall under the above circumstance (1) and lend at a rate lower than market interest rates.

2) *Derecognition conditions of financial liabilities*

Where the current obligation of financial liability has been terminated entirely or partially, the financial liability or obligation that has been terminated shall be derecognized. Where the Company enters into an agreement with a creditor, so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall stop the recognition of the existing financial liability, and shall at the same time recognize the new financial liability. Substantial adjustments by the Company to all or partial terms in contracts related to existing financial liabilities shall be considered as derecognition for all or parts of existing financial debts, and such financial debts after modification shall be deemed as new financial debts. Balance between the book value of the parts to be derecognized and consideration paid shall be included in the current profits and losses.

(3) Determination methods for fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities of the Group shall be measured by the price in the primary market, and if there is no the primary market, such assets and liabilities shall be measured by the price in the most favorable market. And then applicable and sufficient data and valuation techniques supported by other information shall be used. Input values used for measuring the fair value should be classified into three levels, that is to say, the input value of the first level is the unadjusted offer obtained on the measurement date for the same assets and liabilities in the active market; the input value of the second level should be observable input values directly or indirectly related to assets or liabilities, except for the input value of the first level; and the input value of the third level is the unobservable input value of related assets or liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial assets and financial liabilities *(Continued)*

(4) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and be not mutually offset. However, the net amount is presented in the balance sheet after being offset, when the following conditions are met at the same time: (1) The Company has a legal right to offset the recognized amount and that such legal rights are currently enforceable; and (2) The Company plans to settle by the net assets or sell off financial assets and liquidate the financial liabilities at the same time.

(5) Difference between financial liability and equity instrument and related treatment

The Group distinguishes financial liabilities and equity instruments according to the following principles: (1) if the Company fails to unconditionally perform one contractual obligation by delivering cash or other financial assets, the contractual obligation satisfies the definition of financial liability. While some financial instruments do not expressly include the terms and conditions for the obligation to deliver cash or other financial assets, it is possible to form contractual obligations indirectly through other terms and conditions. (2) If one financial instrument must or may be settled by the Company's own equity instrument, the Company's own equity instrument used for settling such instrument shall be considered as an substitute of cash or other financial assets, or as residual equity in the issuer's assets that the instrument holder enjoys after deducting all the liabilities. If it is the former one, this instrument is the financial liability of the issuer. If it is the latter, the instrument is the equity instrument of the issuer. Under certain circumstances, a financial instrument contract requires that the Company must or may settle the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations is equal to the number of own equity instruments available or to be delivered multiplied by the fair value upon its settlement. In this case, regardless of whether the amount of the contractual right or obligation is a fixed value or changes based in whole or in part on changes in variables other than the market price of the Company's own equity instrument (such as interest rates, the price of a good or the price of a financial instrument), the contract is classified as financial liabilities.

When classifying a financial instrument (or its components) in the consolidated financial statements, the Group takes into consideration all the terms and conditions agreed between members of the Group and holders of financial instruments. If the Group as a whole has assumed the obligation to deliver cash, other financial assets or settle it by other means of rendering the instrument a financial liability, the instrument should be classified as a financial liability.

Where the financial instruments or their components are classified as financial liabilities, the related interest, stock dividends (or dividends), gains or losses, gains or losses arising from redemption or refinancing, etc., are included in the current profits and losses.

Where the financial instruments or their components are classified as equity instrument, its issue (including refinancing), repurchase, sale or cancellation is treated as a change in equity, and the change in fair value of the equity instrument is not recognized.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Notes receivable

Determination method and accounting treatment of expected credit losses of notes receivable:

The Company always measures the loss provisions for the notes receivable according to the amount of expected credit loss in the whole duration.

Judgment of significant increase of credit risk after the initial recognition. The Company will judge whether the credit risk of the financial instrument significantly increases by comparing the default probability of this financial instrument determined during the initial recognition in the expected duration with its default probability determined on the balance sheet date in the expected duration. However, if the Company determines that the financial instrument has only a low credit risk on the balance sheet date, the Company could assume that the credit risk of the financial instrument has not increased significantly since the initial recognition.

Portfolio-based assessment. For notes receivable, the Company, in the aspect of individual instrument, cannot obtain sufficient evidence about credit risk increased significantly at a reasonable cost, and it is feasible to assess whether there is a significant increase in credit risk on the basis of portfolio. Therefore, taking notes type as the common risk characteristics, the Company groups notes receivable and considers whether credit risk increases significantly on a portfolio basis.

Measurement of expected credit loss. The expected credit loss means that the risk of default is the weighted average of credit list of weighted financial instrument. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows receivable, that is, the present value of all cash shortages.

As per the actual credit losses of previous years, taking into account the forward-looking information of current year, the Company implements the following accounting estimation policy for measuring expected credit losses: an expected credit loss model, based on the nature of the notes, is employed, in which the expected credit loss of accounts receivable is calculated by estimated credit loss rate and expected default exposure of accounts receivable, and the expected credit loss rate is determined by the probability of default and default loss rate.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Accounts receivable

The Group provides allowance for bad debt, in connection with all receivables, at the expected credit loss throughout their full life. As per the actual loss rate of previous accounts receivable, judgments on future recovery risks and analysis on credit risk characteristics, the Group determines its expected loss rate and provision for bad debts. The provision is made in following manner:

At the end of the period, a separate impairment test is performed on the receivables that have been impaired as proven by objective evidences. Regarding measurement of their expected credit losses, the impairment loss is recognized and the provision for bad debts is made, by the difference between the book balance and the present value of the estimated future cash flows as discounted at the original actual interest rate. In the case there is no sufficient evidence for determination of expected credit losses at a reasonable costs at single instrument level, the Company shall consider and refer to historical credit loss experience, taking account into current conditions and judgments of future economic conditions, and divide accounts receivable into several portfolios by credit risk characteristics; and then calculate the expected credit loss by such portfolios, on the following basis:

Portfolio name	Accrual method
Aging analysis portfolio	The Company calculates the expected credit loss based on its past historical experience, taking account into of current conditions and forecasts of future economic conditions by preparing the aging of accounts receivable and the lifetime expected credit loss rate
Low risk portfolio	No provision for bad debts

For low risk portfolio, unless there is definite evidence proving that the credit risk of the financial instrument has increased significantly since initial recognition, no expected credit loss shall be accrued and provided. The Group's low-risk items mainly include deposits and reserves, etc. paid to clients from military and governmental sectors, without significant losses. These items are expected to be recovered, with low probability of credit risk, and credit impairment losses may not be accrued.

The Group calculates expected credit loss of accounts receivable on the balance sheet date. If the expected credit loss is greater than the carrying amount of impairment provision of the current accounts receivable, the Group will recognize the difference as impairment loss on accounts receivable, debit "credit impairment loss" and credit "bad debt provision". On the contrary, the Group recognizes the difference as impairment gains and makes opposite accounting records.

If the Group actually suffers a credit loss and determines that the relevant accounts receivable cannot be taken back and are approved to be charged off, the "bad debt provision" shall be debited and the "accounts receivable" shall be credited according to the approved charged off amount. If the charged off amount is greater than the accrued loss provision, "credit impairment loss" shall be debited against difference of the period.

12. Other receivables

The measurement of impairment loss of other accounts receivable is done with reference to the impairment loss measurement methods as specified in "11. Accounts receivable".

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. Inventories

The Group's inventory mainly includes raw materials, products in process, finished goods, etc..

The perpetual inventory system is adopted for inventories. Inventories are valued based on their actual cost when obtained; Their actual costs are determined with the weighted average method when acquired or sent.

At the end of the period, inventories are valued at the lower one of cost and net realizable value. Where the inventories are damaged, wholly or partially outdated, or their selling prices are lower than costs, the irrecoverable portion of the costs expected shall be provided with allowance for inventory depreciation. The provision for inventory depreciation of finished goods and bulk raw materials shall be made at the difference between the cost of a single inventory item and its net realizable value; the provision for inventory depreciation of other raw materials and auxiliary materials in large quantity and at low unit prices shall be made by category.

For the finished goods, products in process, materials for sale and other merchandise inventories directly for sale, the net realizable values thereof shall be recognized at the balance after the estimated selling price of such inventories deducts the estimated sales expenses and relevant taxes. For the material inventories held for production, the net realizable values thereof shall be recognized at the balance after the estimated selling price of the finished product deducts the estimated costs to be incurred upon completion, estimated sales expenses and related taxes.

14. Contractual assets

(1) Recognition methods and standards for the contractual assets

Contractual assets refer to the right of the Group who transferred the commodity to the customer to receive the consideration, and the right depends on other factors excluding the passage of time. If the Group sells two clearly distinguishable commodities to the customer, due to the delivery of one of the commodities, it has the right to receive payment, but the collection of such payment shall also depend on the delivery of the other commodity, and the Group shall treated such right to receive payment as contractual asset.

(2) Determination method and accounting treatment of expected credit loss of contractual assets

For determination method of expected credit loss of contractual assets, refer to the description of 10. Notes receivable, 11. Accounts receivable.

Accounting treatment: the Group calculates the expected credit loss of the contractual assets on the balance sheet date. If the expected credit losses are greater than the carrying amount of the current contractual asset impairment provision, the Group will recognize the difference as impairment loss, debit "credit impairment loss" and credit "contractual asset impairment provision". On the contrary, the Group recognizes the difference as impairment gains and makes opposite accounting records.

If the Group actually suffers a credit loss and determines that the relevant contractual assets cannot be recovered and are approved to be written off, the "contractual asset provision" shall be debited and the "contractual assets" shall be credited according to the approved written off amount. If the written off amount is greater than the accrued loss provision, "credit impairment loss" shall be debited against difference of the period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Contract cost

(1) Determination method of assets related to contract costs

The Group's assets related to contract costs include contract performance cost and contract acquisition costs.

If the contract performance cost, namely, the cost incurred by the Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be recognized as an asset as the contract performance cost: the cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs clearly borne by the customer, and other costs incurred solely as a result of the contract; the cost increases the Group's resources for future using for performance of obligations; and the cost is expected to be recovered.

Contract acquisition cost, namely, the incremental cost incurred by the Group for the acquisition of the contract and expected to be recovered, as the contract acquisition cost, it shall be recognized as an asset; and if the amortization period of the asset does not exceed one year, it is included in the current profit and loss when it occurs. Incremental cost refers to the cost (such as sales commissions) that would not have occurred if the Group had not obtained the contract. Other expenses incurred by the Group for the acquisition of the contract, excluding the incremental costs expected to be recovered (such as the travel expenses incurred regardless of whether or not the contract is obtained), include in the current profit and loss when it occurs, however, except costs clearly borne by the customer.

(2) Amortization of assets related to contract costs

The assets related to the contract costs of the Group are amortized on the same basis as the recognized sales revenue related to the assets and include in the current profit and loss.

(3) Impairment of assets related to contract costs

When determining the impairment losses of assets related to contract costs, the Group shall first determine the impairment losses of other assets related to the contract and recognized in accordance with the accounting standards of other relevant enterprises; and then, according to the difference between the book value and the remaining consideration that the Group is expected to obtain due to the transfer of the commodities related to the asset, and the difference between the book value and the estimated costs due to the transfer of the relevant commodity, the impairment provision shall be made for the excess and recognized as asset impairment loss.

If the factors of impairment in the previous period change later, making the aforesaid difference higher than the book value of the asset, the originally made asset impairment provision shall be reversed and included in the current profits and losses, but the book value of the reversed asset shall not exceed the book value of the asset on the reversal date assuming that no impairment provision is made.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Long-term equity investments

The long-term equity investment of the Group is mainly aimed to subsidiaries, associates and joint ventures.

The Group judges the common control based on the point that all the participants or group of participants collectively control the arrangement, and that the policies for the activities related to the arrangement must be agreed by participants who collectively control the arrangement.

It is generally considered that the Group, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee. When the Company holds less than 20% voting right of the investee, it shall comprehensively consider the facts and conditions that whether a representative has been sent to the board of directors or similar authority body in the investee, or whether participating in formulation of financial and operating policies of the investee, significant transaction happened with the investee, dispatching managers to the investee or providing key technical data to the investee, etc., to judge whether the Company has significant influence to the investee.

The investee under the control of the Group shall be deemed as a subsidiary of the Company. If the long-term equity investment is obtained from the business combination under common control, the share of book value of owners' equity of the merged party in consolidated financial statements of the ultimate controlling party on the date of merger shall be deemed as the initial investment cost of the long-term equity investment. If the book value of the net asset of the combined party on the combining date is negative, the cost of long-term equity investment shall be determined as zero.

As to equity of the investee under common control acquired step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If the transactions do not belong to "package deal", the share of book value of net asset of the combined party in consolidated financial statements of the ultimate controlling party on the combining date shall be deemed as the initial investment cost of the long-term equity investment. The balance between the initial investment cost and the sum of the book value of long-term equity investment which has reached the amount before the combination and the book value of new payment consideration obtained under the combining date shall be applied to adjust capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be written down.

For long-term equity investment obtained through business combination not under common control, consolidated cost shall be recognized as initial investment cost.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Long-term equity investments *(Continued)*

As to equity of the investee not under common control obtained step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive income calculated by the original equity method shall not be adjusted; and the accounting treatment shall be conducted as per the same basis as that of disposing related assets or liabilities of the investee when disposing the investment. Where the equity held before the purchase date is calculated by fair value in the available-for-sale financial assets, and then accumulative change of the fair value originally included in other comprehensive income shall be transferred into current investment profits and losses on the combining date.

Except long-term equity investment obtained through business combination, for those obtained by cash, purchase amount actually paid shall be used as its initial investment amount; for those obtained through issuing equity security, the fair value of equity security issued shall be used as the initial investment cost; and for those obtained through contribution by the investor, the value agreed as per the investment contract or agreement shall be used as the initial investment cost.

The Group calculates the investment to the subsidiaries by cost method, with equity method adopted for joint ventures and associates.

Long-term equity investment subsequently measured by cost method shall be calculated at fair value of cost paid for the additional investment and book value of the cost of the long-term equity investment added through related transaction fees incurred. Cash dividends or profits that the investee declares to distribute shall be recognized as the current investment profits as per the amount enjoyed.

For long-term equity investment subsequently measured by equity method, the book value of long-term equity investment shall be accordingly increased or decreased as the owner's equity of the investee changes. Wherein, the Company shall, as per the Group's accounting policy and period, when recognizing the shares of the net losses of the investee that shall be enjoyed by the Company, calculate the portion that belongs to the Company based on the fair value of each identifiable asset of the investee upon acquisition in accordance with the shareholding ratio by offsetting profits and losses of unrealized internal transaction incurred between the joint venture and associate, then recognize the net profits of the investee after adjustment.

When disposing of long-term equity investment, the balance between the book value and actual price for acquisition shall be included in the current investment income. If the long-term equity investment calculated by equity method is included in the owner's equity due to other change of the owner's equity of the investee other than net profits and losses, the portion previously included in the owners' equity shall, when disposing of a long-term equity investment measured by the equity method, be transferred to the current profits and losses according to a certain proportion.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Long-term equity investments *(Continued)*

Where the Company's joint control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will be calculated as per the available-for-sale financial assets, the balance between the fair value and book value thereof on the date the joint control or significant influence is lost shall be included in the current profits and losses. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the invested unit directly disposes the related assets or liabilities when ceasing to use equity method.

When the Company loses the control over the investee for disposal of partial long-term equity investments, the accounting method shall be changed to equity method if the remaining shares after disposal still have joint control or significant influence on the investee, with the balance between the book value of equity to be disposed and consideration of disposal included in the investment income. While the remaining shares after disposal do not have joint control or significant influence on investee anymore, the accounting treatment shall be conducted as per regulations related to recognition and measurement standards of available-for-sale financial instruments and the difference between fair value and book value on the date of losing the control shall be included in the current losses and profits.

Various transactions of the Group from step-by-step equity disposal to loss of controlling power do not belong to the package deal, and every transaction is separately subject to accounting treatment. If the transactions belong to "package deal", then the Company shall conduct accounting treatment to the transaction which shall be taken as a transaction for disposing subsidiaries with control right lost; and however, before loss of control right, the difference between each disposal price and the book value of long-term equity investment correspondingly in equity disposed shall be firstly recognized in the other comprehensive income and then wholly transferred into the current profit and loss when losing control right.

17. Fixed assets

The Group's fixed assets refer to any tangible assets that are held for the purpose of producing goods, providing labor services, leasing, or operation or management, with a useful life of more than one year, and meeting the following conditions:

Fixed assets include houses and buildings, machinery and equipment, transportation equipment, office equipment, and others. The book-entry values of fixed assets are stated at their acquisition price. The costs of fixed assets purchased comprise purchase price, import duties and other related taxes and surcharges, and any directly attributable expenditures for bringing the assets to working conditions for their intended use; the costs of self-constructed fixed assets are composed of necessary expenditures incurred before the assets reach the working conditions for their intended use; the book-entry values of fixed assets invested by investors are stated at the values as agreed in investment contracts or agreements, unless the values agreed in the contracts or agreement are unfair, in which case the book-entry values of the assets shall be stated at the fair value;

Subsequent expenses of fixed assets mainly include maintenance expenses, expenses on upgrading and improvement, etc. Expenses eligible are included in the costs of fixed assets; the book values of replaced part are derecognized; other subsequent expenses are included in current profit and loss when incurred.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Fixed assets *(Continued)*

Other than fixed assets that are fully depreciated and remain in use as well as land that is separately measured and accounted, the Company provides depreciation for all fixed assets. The Company provides depreciation at the average life method, and the depreciation is included in the cost of the relevant assets or the current expenses as its purpose(s) may be. The classified depreciation life, estimated net residual value rate and depreciation rate in aspect to various fixed assets of the Company are listed as follows:

No.	Type	Depreciation life (year)	Estimated residual value rate (%)	Annual depreciation rate (%)
1	Houses and buildings	30	5	3.17
2	Machinery and equipment	10	5	9.50
3	Transportation equipment	5	5	19
4	Office equipment	5	5	19

The Group should re-examine the service life, estimated net residual rate and depreciation method as to the fixed assets, at the end of each year; Any changes should be treated as the accounting estimate change.

If any fixed assets are disposed of or are expected that they cannot generate economic benefits by using or disposing, the fixed assets should be derecognized. The balance of income from the disposal of fixed assets sale, transfer, scrapping or damage, after deducting the book value of the fixed asset and relevant taxes and dues, shall be included in the current profit or loss.

18. Project under construction

Project under construction is measured at the actual cost when incurred. Self-operated construction works are measured at direct materials costs, direct wages, direct construction costs, etc.; outsourced construction works are measured at payable work price, etc.; equipment installation works are measured at the value of installed equipment, installation costs, commissioning expenses, etc.; the cost of project under construction also includes borrowing costs and exchange gains and losses that should be capitalized.

Project under construction ready for intended use shall be carried over to fixed assets based on the estimated value according to construction budget, project cost or actual project cost. The depreciation shall be drawn from the next month. After going through procedures of completion settlement, the difference of the original value of the fixed assets shall be adjusted.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

19. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment properties and inventories that require more than 1 year of acquisition or construction to be ready for intended use or selling shall be capitalized when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling begin. When the assets meeting the capitalization requirements are acquired or constructed to be ready for intended use or selling, the capitalization shall be terminated, and the borrowing costs incurred subsequently shall be included in the current profits and losses. If assets satisfying capitalization conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalization of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

The actually incurred interest costs of special borrowings in current period shall be capitalized after the interest income from deposits in banks or investment income from temporary investment with the unused borrowings is deducted from it. The capitalized amount of general borrowings shall be obtained by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalization rate of general borrowings used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

20. Right-of-use assets

The right-to-use asset refers to the right of the Group as the lessee to use the lease asset during the lease term.

(1) Initial measurement

At the commencement of the lease term, the Group initially measures the right-to-use assets at cost. The cost includes the following four items: (1) initial measurement amount of lease liabilities; (2) deducted amount related to the enjoyed lease incentive if there is a lease incentive for the lease payment made on or before the commencement of the lease term; (3) initial direct cost incurred, i.e., incremental cost incurred to reach the lease; and (4) costs expected to be incurred for dismantling and removing the lease asset, restoring the site where the lease asset is located or restoring the lease asset to the state agreed in the leasing terms, except those incurred for the production of inventory.

(2) Subsequent measurement

After the commencement of the lease term, the Group uses the cost model to carry out subsequent measurement on the right-to-use asset, i.e. the right-to-use assets is measured by the cost minus accumulated depreciation and accumulated impairment loss.

If the Group remeasures the lease liabilities in accordance with the relevant provisions of the leasing standards, the book value of the right-to-use asset shall be adjusted accordingly.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

20. Right-of-use assets *(Continued)*

(3) Depreciation of right-to-use asset.

Starting from the commencement of the lease term, the Group will depreciate the right-to-use asset. The right-to-us asset is usually depreciated from the current month that the lease term starts. The depreciation amount for provision is included in the cost of underlying assets or the current profits and losses according to the use of the right-to-use asset.

When determining the depreciation method for the right-to-use asset, the Group makes a decision based on the expected consumption mode of economic benefits related to the right-to-use asset, and depreciates the right-to-use asset by the straight-line method.

When determining the depreciation life of right-to-use asset, the Group follows the following principles: if the ownership of lease asset can be reasonably confirmed to be acquired at the expiration of lease term, the depreciation shall be carried out within the remaining service life of lease asset; otherwise, the depreciation shall be carried out within the remaining lease term or the service life of lease asset, whichever is shorter.

If the right-to-use asset is impaired, the Group will carry out subsequent depreciation according to the book value of the right-to-use asset after deducting the impairment loss.

21. Intangible assets

The intangible assets of the Group include patented technology, non-patented technology, etc., which shall be measured at actual cost when being obtained; for the intangible assets purchased, price actually paid and related other expenditure shall be deemed as actual cost; and for the intangible assets invested by the investor, value agreed in accordance with investment contract or agreement is recognized as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognized at fair value. For intangible assets acquired by the acquiree in a merger not under the common control, but not recognized in its financial statements, the assets of the acquiree are initially recognized as intangible assets at fair value.

Patented technology, non-patented technology and other intangible assets shall be amortized at average as per the shortest one of the estimated service life, benefit year stipulated in the contract and effective service life stipulated by law. Amortized amount shall be included in related asset cost and current profits and losses as per the benefit object.

The Company rechecks the expected service life and amortization method of intangible assets with uncertain service life at the end of each year. In case of any change, it shall be treated as changes in accounting evaluation for handling. In each accounting period, the estimated useful life of intangible assets with indefinite useful lives is reviewed. If there is evidence proving that the useful life of intangible assets is limited, its useful life shall be estimated and amortized over the expected useful life.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Impairment of long-term assets

The Group re-examines long-term equity investment, fixed assets, project under construction, right-of-use assets, intangible assets with limited useful life and other items at each balance sheet date. When there is any indication of impairment, the Group performs an impairment test. For any goodwill and intangible assets with uncertain service life, no matter whether there is any indication of impairment, an impairment test shall be performed at the end of each year.

If the impairment test shows the book value of the asset is more than its recoverable amount, the difference shall be recognized as an impairment loss. Upon confirmation, the above asset's impairment loss will not be reversed in subsequent accounting periods. The recoverable amount, with respect to an asset, refers to the higher one of the net of its fair value less disposal costs and the present value of its expected future cash flows.

Indications of impairment are described as follows:

(1) The current market price of the fixed asset has declined significantly, which is apparently more than expected decline as a result of the passage of time or normal use;

(2) The economic, technical, or legal environment, in which the Group operates, or the market where the assets are located changes or will change significantly in current period or near future, causing any adverse influences to the Group;

(3) The market interest rates or other market rate of return on investment in the current period have been increased so that the Group's calculation of the discount rate of the present value of the estimated future cash flows is affected, leading to significant reduction in the recoverable amounts of the assets;

(4) There is evidence showing that the assets have been obsolete or actually damaged;

(5) The fixed asset has been or will be left unused, or terminated for use, or disposed ahead of schedule;

(6) Any evidence in internal reports shows that the economic performance of the assets has been or will be lower than expected, and the net cash flows or realized operating profits (or losses) from the assets are far lower (or higher) than the estimated amounts; and

(7) Other indications that assets may have been impaired.

23. Long-term deferred expenses

Long-term deferred expenses of the Group refer to the expenses that have been paid, but will be undertaken in the current period and in the future with an amortization period of over 1 year (excluding 1 year). Such expenses shall be equally amortized in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortized value of unamortized items shall be all transferred to the current profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Contractual liabilities

The contract liabilities reflect the Group's obligations to transfer commodities to the customer due to customer consideration received or receivable. If the customer has paid the contract consideration or the Group has obtained the right to receive the contract consideration unconditionally before the transfer of the commodities to the customer, the contract liability shall be recognized according to the amount received or receivable when the customer actually makes the payment and payment due.

25. Employee compensation

Employee compensation refers to all kinds of remunerations or reimbursements provided by the Company in exchange of the services offered by the employees or the labour relationship termination, mainly including short-term compensation, post-employment benefits, termination benefits, and other long-term employee benefits. The benefits provided by the Group to employees' spouses, children, dependants, survivors of deceased employees and other beneficiaries are also deemed as employee benefits.

(1) Short-term compensation refers to any employee compensation paid by the Group to employees in full, within 12 months after the end of annual report period in which relevant services are rendered by such employees, excluding the compensation for termination of the labor relation with such employees. The Group's short-term compensation specifically includes: employee wages, bonuses, allowances and subsidies, employee benefits, social insurance premiums such as medical insurance premiums, work-related injury insurance premiums and maternity insurance premiums, housing provident funds, union funds and employee education funds, short-term paid absenteeism, short-term profit-sharing plans, non-monetary benefits, and other short-term pays.

(2) Post-employment benefits refer to all kinds of remuneration and benefits payable for the Group in order to obtain services provided by employees, which will and shall be paid to its employees after they retire or sever the labor relation with the Group, excluding the short-term remuneration and dismissal benefits.

(3) Dismissal benefits. It refers to compensation provided to employees for terminating the labor relationship with employees before the expiration of the labor contract between the Group and the employee, or for encouraging the employees to voluntarily accept the reduction. For employees who have not terminated the labor contract with the Group but will no longer provide services for the Group in the future and cannot bring economic benefits to the Group, if the Group is committed to providing economic compensation with the nature of dismissal benefit, in case of "early retirement", economic compensation shall be treated as dismissal benefit before the official retirement date, and shall be treated as post-employment benefits after the official retirement date.

(4) Other long-term employee benefits. It refers to the employee benefits except for short-term benefits, post-employment benefit and dismissal benefit, including long-term compensated absences, long-term disability benefit, long-term profit sharing plan, etc.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

26. Lease liabilities

(1) Initial measurement

The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term.

1) *Lease payment*

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use the lease asset during the lease term, including: (1) fixed payment and substantial fixed payment, of which the amount related to lease incentive shall be deducted if there is lease incentive; (2) variable lease payment depending on index or ratio, which is determined according to the index or ratio at the commencement of the lease term during initial measurement; (3) exercise price of purchase option when the Group reasonably determines to exercise purchase option; (4) payment made for exercising the option to terminate the lease when the lease term reflects that the Group exercises such option; and (5) amount expected to be paid according to the guaranteed residual value provided by the Group.

2) *Discount rate*

In calculating the present value of the lease payment, the Group adopts the interest rate implicit in lease as the discount rate, which is the interest rate that the sum of the present value of the lessor's lease receipts and the present value of the unguaranteed residual value is equal to the sum of the fair value of the lease asset and the lessor's initial direct expenses. If the Group is unable to determine the interest rate implicit in lease, the incremental borrowing rate will be taken as the discount rate. The incremental borrowing rate refers to the interest rate that the Group should pay to borrow funds under similar mortgage conditions during a similar period in order to obtain assets with a value close to the value of the right-to-use assets under similar economic circumstances. The interest rate is related to the following matters: (1) the Group's own situation, namely, the Group's solvency and credit status; (2) term of "borrowing", namely the lease term; (3) the amount of "borrowed" funds, namely, the amount of lease liabilities; (4) "mortgage conditions", namely, the nature and quality of the underlying assets; and (5) economic environment, including the jurisdiction where the lessee is located, pricing currency, contract signing time, etc. Based on the bank loan interest rate, the Group makes adjustment by considering the above factors to obtain the incremental borrowing rate.

(2) Subsequent measurement

After the commencement of the lease term, the Group will carry out subsequent measurement of the lease liabilities according to the following principles: (1) increase the carrying amount of the lease liabilities when confirming the interest on the lease liabilities; (2) reduce the carrying amount of lease liabilities when making the lease payment; and (3) remeasure the book value of the lease liabilities when the lease payment changes due to revaluation or lease change.

The interest expenses of the lease liabilities within each lease term shall be calculated according to the fixed periodic rate, and included in the current profits and losses, except for those should be capitalized. Periodic rate refers to the discount rate adopted by the Group when initially measuring the lease liabilities, or the revised discount rate adopted by the Group when the lease liabilities need to be remeasured according to the revised discount rate due to changes in the lease payment or lease changes.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

26. Lease liabilities *(Continued)*

(3) Remeasurement

After the commencement of the lease term, in case of the following circumstances, the Group shall remeasure the lease liabilities according to the changed lease payment and the present value calculated by the revised discount rate, and adjusts the book value of the right-to-use asset accordingly. If the book value of the right-to-use asset has been reduced to zero, but the lease liabilities still need to be further reduced, the Group shall include the remaining amount in the current profits and losses. (1) The substantial fixed payment changes; (2) the expected payable amount of the guaranteed residual value changes; (3) the index or ratio used to determine the lease payment changes; (4) the evaluation result of purchase option changes; and (5) the evaluation result of renewal option or option to terminate the lease or actual exercise changes.

27. Revenue recognition principle

The Group's operating revenue mainly includes incomes from sales of products and incomes from provision of labor services.

The Group recognizes revenue when it has fulfilled its performance obligations in the contract, that is, when the customer has obtained control of the related goods or services.

When the contract contains two or more performance obligations, the Group allocates the transaction price to each single performance obligation at the beginning of the contract according to the relative proportion of the individual selling price of the goods or services promised by each single performance obligation, and measures the revenue at the transaction price of each single performance obligation.

The transaction price is the amount of consideration that the Group expects to be entitled to receive for the transfer of goods or services to customers, excluding payments received on behalf of third parties. The transaction price recognized by the Group does not exceed the amount that is very likely to cause no significant write-back of the accumulated recognized revenue when the relevant uncertainty is eliminated. The amount expected to be refunded to the customer is not included in the transaction price as a liability. When there is a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash when the customer obtains control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the effective interest rate method during the contract period. On the contract commencement date, the Group does not consider the significant financing components in the contract if the interval between the customer obtaining control of the goods or services and the customer paying the price is not more than one year.

When one of the following conditions is met, the Group is fulfilling the performance obligation within a certain period of time; otherwise, it is fulfilling the performance obligation at a certain point in time:

1) The customer obtains and consumes the economic benefits brought by the Group's performance while the Group is performing;

2) The customer can control the products under production during the Group's performance;

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

27. Revenue recognition principle *(Continued)*

3) The goods produced during the performance of the Group have irreplaceable uses, and the Group has the right to receive payment for the part of performance that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, the Group recognizes revenue in accordance with the performance progress within that period of time and determines the performance progress in the method of completion percentage. When the performance progress cannot be reasonably determined, if the cost incurred by the Group can be expected to be compensated, revenue is recognized based on the amount of the cost incurred until the performance progress can be reasonably determined.

For the performance obligations fulfilled at a point in time, the Group recognizes revenue when the customer has obtained control of the related goods or services. In judging whether the customer has obtained control of the goods or services, the Group considers the following signs:

1) The Group has the current right to receive payment for the goods or services;

2) The Group has transferred the legal ownership of the product to the customer;

3) The Group has transferred the physical object of the product to the customer;

4) The Group has transferred the main risks and rewards of ownership of the goods to the customers;

5) The customer has accepted the goods or services.

The Group's right to receive consideration for the goods or services that have been transferred to the customer is presented as a contract asset, which is provided for impairment based on expected credit losses. The right of the Group to receive consideration from customer unconditionally is presented as receivables. The Group's obligation to transfer goods or services to customers for consideration received or receivable is presented as contractual liability.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

28. Government subsidy

Government subsidy refers to the Group's acquisition of monetary or non-monetary assets from the government for free. Government subsidy is recognized when the Group can meet the attached conditions and can receive the subsidy.

When the government subsidy is a monetary asset, it is measured according to the actual amount received. For the subsidy allocated according to the fixed quota standard, or when there is conclusive evidence at the end of the period that it can meet the relevant conditions stipulated in the financial support policy and it is expected to be able to receive the financial support funds, it is measured at the receivable amount; when the government subsidy is a non-monetary asset, it is measured at its fair value; when the fair value cannot be obtained reliably, it is measured at its nominal amount (RMB1).

The government subsidies of the Group are divided into asset-related government subsidies and revenue-related government subsidies. Among them, asset-related government subsidies refer to those obtained by the Group for purchase, construction or otherwise formation of long-term assets; revenue-related government subsidies refer to those other than asset-related government subsidies. If the target of subsidy is not clearly specified in the government documents, the Group judges on the above-mentioned distinction principle. If it is difficult to distinguish, it is classified as revenue-related government subsidy.

The asset-related government subsidies are used to write down the book value of the related assets or recognized as deferred incomes.

Asset-related government subsidies recognized as deferred incomes are charged to profit or loss in stages over the service life of the relevant asset in a reasonable manner.

Where the relevant asset is sold, transferred, scrapped or damaged before the end of its service life, the unappropriated balance of the relevant deferred incomes is charged to the profit or loss of the asset disposal period.

The revenue-related government subsidies used to compensate for the relevant costs or losses in the later period are recognized as deferred incomes, and are charged to the current profit or loss or used to write down relevant costs during the period when relevant costs or losses are recognized; Those used to compensate for the relevant costs or losses incurred are directly charged to the current profit or loss or used to write down relevant costs. Government subsidies related to daily activities are charged to other incomes or used to write down relevant costs in accordance with the essence of economic operation. Government subsidies unrelated to daily activities are charged to non-operating incomes.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Lease

(1) Identification of lease

Lease refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period of time to obtain consideration. On the contract commencement date, the Group evaluates whether the contract is a lease or includes a lease. A contract is a lease or includes a lease if one party to the contract has surrendered the right to control the use of one or more identified assets within a certain period of time in exchange for consideration. In order to determine whether the contract has assigned the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customer in the contract is entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and to dominating the use of the identified assets during the period of use.

Where the contract includes multiple separate leases, the Group splits the contract and carry out accounting treatment for each separate lease. Where the contract includes both leased and non-leased parts, the Group separates the leased and non-leased parts for accounting treatment.

(2) The Group as the lessee

At the beginning of the lease term, the Group recognizes the right-of-use assets and lease liabilities for the lease. The right-of-use assets are initially measured at costs, including the initial measurement amount of the lease liabilities, the lease payment (less the amount of lease incentives already enjoyed) made on or before the beginning of the lease term, the initial direct costs incurred, and the expected costs for disassembly and removal, restoration of the sites where leased assets are located, or restoration of leased assets to the conditions agreed in the lease terms.

The Group recognizes the right-of-use assets and lease liabilities for leases as the lessee.

2) Lease changes

Lease changes refer to changes in the lease scope, lease consideration, and lease term beyond the original contract terms, including the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term stipulated in the contract. The effective date of a lease change is the date on which the parties agree on a lease change.

When a lease is changed and the following conditions are simultaneously met, the Group accounts for the lease change as a separate lease: (1) The lease change expands the scope of lease by adding the right to use one or more leased assets; (2) The consideration and the separate price of the expanded scope of lease are equivalent to the amount adjusted according to the contract.

Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Group allocates the consideration of the contract after the change in accordance with the relevant provisions of the lease standards and re-determines the lease term after the change, and adopts the revised discount rate to discount the lease payment after the change, so as to remeasure the lease liabilities. When calculating the present value of lease payment after the change, the Group uses the interest rate implicit in the lease in the remaining lease term as the discount rate; when the interest rate implicit in the lease in the remaining lease term cannot be determined, the Group uses the incremental borrowing rate of the lessee on the effective date of the lease change as the discount rate. Regarding the impact of the adjustment to the above lease liabilities, the Group distinguishes the following situations for accounting treatment: (1) Where the lease change narrows the lease scope or shorten the lease term, the lessee shall reduce the book value of the right-of-use assets and charge the relevant gains or losses from partial termination or complete termination to the current profit or loss. (2) Where the lease liabilities are re-measured due to other lease changes, the lessee adjusts the book value of the right-of-use assets accordingly.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Lease *(Continued)*

(2) The Group as the lessee *(Continued)*

3) Short-term lease and lease of low-value assets

For short-term leases with a lease term of not more than 12 months and leases of low-value assets with low value when the single leased asset is brand new asset, the Group chooses not to recognize right-of-use assets and lease liabilities. The Group charges the lease payments for short-term leases and leases of low-value assets to the relevant asset costs or current profits or losses using the straight-line method or other systematic and reasonable methods in each stage during the lease term.

(3) The Group as the lessor

On the basis that the contract is a lease or includes a lease as evaluated in (1) the Group, as the lessor, divides lease into financial lease and operating lease on the lease commencement date.

If a lease transfers substantially all the risks and rewards related to the ownership of the leased asset, the lessor classifies the lease as a financial lease and other leases other than financial lease as operating lease.

A lease is generally classified as a financial lease in case of one or more of the following circumstances: (1) Upon the expiration of the lease term, the ownership of the leased asset is transferred to the lessee; (2) The lessee has the option to purchase the leased asset, and the purchase price agreed is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised, so it can be reasonably determined on the lease commencement date that the lessee will exercise the option; (3) Although the ownership of the asset does not transfer, the lease term accounts for the majority of the service life of the leased asset (not less than 75% of its service life); (4) At the lease commencement date, the present value of the lease receipts is almost equal to the fair value of the leased asset (not less than 90% of its fair value); (5) The leased assets are of special nature, which, if not significantly transformed, can only be used by the lessee. A lease may also be classified as a financial lease if there are one or more of the following signs: (1) If the lessee cancels the lease, the losses caused to the lessor by the cancellation of the lease will be borne by the lessee; (2) The gains or losses arising from fluctuations in the fair value of the residual value of the asset belong to the lessee; (3) The lessee has the ability to continue the lease to the next period at a rent far below the market level.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Lease *(Continued)*

(3) The Group as the lessor *(Continued)*

1) *Accounting treatment method of financial lease*

Initial measurement

At the beginning of the lease term, the Group recognizes financial lease receivables for financial leases and ceases to recognize financial lease assets. When the Group performs the initial measurement of financial lease receivables, the net lease investment is used as the entry value of the financial lease receivables.

The net lease investment is the sum of the unguaranteed residual value and the present value of the lease proceeds that have not been received at the beginning of the lease term, discounted at the interest rate implicit in the lease. The amount of lease receipt refers to the amount that the lessor should collect from the lessee for assigning its right to use the leased asset during the lease term, including: (1) The fixed payment and the substantially fixed payment to be made by the lessee; in case of lease incentives, the amount of lease incentives is deducted; (2) Variable lease payment depending on an index or a ratio, which is determined at the initial measurement based on the index or ratio of the lease commencement date; (3) The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise this option; (4) The amount that the lessee needs to pay to exercise the lease termination option, provided that the lease term reflects that the lessee will exercise the lease termination option; (5) The residual value of the guarantee provided to the lessor by the lessee, a party relating to the lessor and an independent third party with financial ability to fulfill the guarantee obligation.

Subsequent measurement

The Group calculates and recognizes interest income for each stage in the lease term at a fixed periodic interest rate. The periodic interest rate refers to the implicit discount rate adopted to determine the net lease investment (or the discount rate of the original lease when the implicit interest rate of the lease cannot be determined in case of sublease (to be adjusted according to the initial direct costs related to sublease)), or the revised discount rate determined according to the relevant regulations when the change in the financial lease is not account for as a single lease, and that if the change takes effect on the lease commencement date, the lease will be classified as a financial lease.

Accounting treatment of lease changes

When a financial lease is changed and the following conditions are simultaneously met, the Group accounts for the lease change as a separate lease: (1) The change expands the scope of lease by adding the right to use one or more leased assets; (2) The consideration and the separate price of the expanded scope of lease are equivalent to the amount adjusted according to the contract.

Where a change in a financial lease is not accounted for as a separate lease, and if the lease is classified as an operating lease condition when the change becomes effective on the lease commencement date, the Group accounts for it as a new lease as of the effective date of the lease change, and treats the net lease investment before the effective date of the lease change as the book value of the leased asset.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

29. Lease *(Continued)*

(3) The Group as the lessor *(Continued)*

2) *Accounting treatment of operating lease*

Treatment of rent

In each stage of the lease term, the Group adopts the straight-line method/other systematic and reasonable methods to recognize the lease receipts from operating leases as rent incomes.

Incentives provided

Where a rent-free period is provided, the Group allocates the total rent over the entire lease term without deducting the rent-free period using a straight-line method/other reasonable methods. Rent incomes shall be recognized during the rent-free period. Where the Group bears certain expenses of the lessee, the expenses are deducted from the total rent income, and the balance of the rent income after deduction is allocated during the lease term.

Initial direct costs

The initial direct costs incurred by the Group related to operating leases shall be capitalized to the costs of the underlying assets of the lease, and shall be charged to the current profits or losses in stages during the lease term on the same basis as the rent income.

Depreciation

For fixed assets in operating lease assets, the Group adopts a depreciation policy for similar assets for depreciation provision; for other operating lease assets, a systematic and reasonable method is used for amortization.

Variable lease payments

The variable lease payments obtained by the Group related to operating leases and not charged to the lease receipts are charged to the current profits or losses when they are actually incurred.

Changes in operating leases

Where an operating lease changes, the Group accounts for it as a new lease from the effective date of the change, and deems the advance lease receipts or lease receivables related to the lease before the change as the new lease receipts.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

30. Explanation of the changes in accounting policies and accounting estimates and the correction of errors

(1) Accounting policy changes and implications

1) *Implementation of the ASBE No. 21 – Leases*

According to the "Notice on Amending and Issuing the 'Accounting Standards for Business Enterprises No. 21 – Leases'" (C.K. [2018] No. 35) issued by the Ministry of Finance on December 7, 2018, enterprises that are listed at home and abroad and those listed overseas and preparing financial statements using the International Financial Reporting Standards (IFRS) or the Accounting Standards for Business Enterprises (ASBE), the Standards shall be effective as of January 1, 2019 (hereinafter referred to as the "New Lease Standards").

According to the relevant cohesion provisions of the new lease standards, the difference between the following and the lease liabilities included in the balance sheet on the first execution date: (1) the weighted average of the lessee's incremental borrowing interest rate adopted in the lease liabilities included in the balance sheet on the first execution date; (2) the present value of the unpaid minimum lease payment for a significant operating lease disclosed at the end of the annual reporting period before the first execution date discounted at the incremental borrowing interest rate of the lessee on the first execution date.

Accordingly, the implementation of the adjustment to the new lease standards has no impact on the amount at the beginning of the year of the financial statements of the Company.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

30. Explanation of the changes in accounting policies and accounting estimates and the correction of errors *(Continued)*

(1) Accounting policy changes and implications *(Continued)*

2) Implementation of the "Notice of the Ministry of Finance on the Format for Revising and Issuing the Financial Statements for General Businesses in the Year of 2019" and the "Notice on the Format for Amending and Issuing the Consolidated Financial Statements (2019 Edition)"

The Ministry of Finance issued the "Notice of the Ministry of Finance on the Format for Revising and Issuing the Financial Statements for General Businesses in the Year of 2019" (C.K. [2019] No. 6) and the "Notice on the Format for Amending and Issuing the Consolidated Financial Statements (2019 Edition)" (C.K. [2019] No. 16) respectively on April 30, 2019 and September 19, 2019 to revise the format of financial statements for general businesses. The Group has prepared the 2019 financial statements in accordance with the foregoing requirements, and changed the presentation of the relevant financial statements using the retrospective adjustment method. The items of the consolidated balance sheet and consolidated income statement affected on December 31, 2018 are as follows:

		The Group	
Affected items	**Before adjustment**	**Adjustment amount**	**After adjustment**
Notes receivable	–	0.00	0.00
Accounts receivable	–	948,317.44	948,317.44
Notes receivable and accounts receivable	948,317.44	(948,317.44)	–
Notes payable	–	0.00	0.00
Accounts payable	–	7,858,713.44	7,858,713.44
Notes payable and accounts payable	7,858,713.44	(7,858,713.44)	–

(Continued table)

		Parent company	
Affected items	**Before adjustment**	**Adjustment amount**	**After adjustment**
Notes receivable	–	0.00	0.00
Accounts receivable	–	5,208,261.53	5,208,261.53
Notes receivable and accounts receivable	5,208,261.53	(5,208,261.53)	–
Notes payable	–	0.00	0.00
Accounts payable	–	10,686,203.53	10,686,203.53
Notes payable and accounts payable	10,686,203.53	(10,686,203.53)	–

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

30. Explanation of the changes in accounting policies and accounting estimates and the correction of errors *(Continued)*

(1) Accounting policy changes and implications *(Continued)*

3) *Implementation of ASBE No. 7 – Exchange of Non-Monetary Assets (2019 Revision)*

Subject to the ASBE No. 7 – Exchange of Non-Monetary Assets (2019 Revision) The Ministry of Finance published the ASBE No. 7 – Exchange of Non-Monetary Assets (2019 Revision) (C.K. [2019] No. 8) on May 9, 2019. The revised Standards were effective as of June 10, 2019. The exchanges of non-monetary assets occurring between January 1, 2019 and the effective date shall be adjusted according to such Standards. The exchanges of non-monetary assets occurring before January 1, 2019 are not subject to the retrospective adjustments in accordance with the provisions of such Standards. The implementation of the above Standards by the Group has no significant impact during the reporting period.

4) *Implementation of ASBE No. 12 – Debt Restructuring (2019 Revision)*

The Ministry of Finance published the ASBE No. 12 – Debt Restructuring (2019 Revision) (C.K. [2019] No. 9) on May 16, 2019. The revised Standards were effective as of June 17, 2019. The debt restructuring occurring between January 1, 2019 and the effective date shall be adjusted according to such Standards. The debts restructuring occurring before January 1, 2019 are not subject to the retrospective adjustments in accordance with the provisions of such Standards. The implementation of the above Standards by the Group has no significant impact during the reporting period.

(2) Accounting estimate changes and implications

None.

(3) Major prior error correction and implications

None.

V TAXES

1. Major taxes and tax rates

Tax type	Taxation basis	Tax rate (%)
China corporate income tax		
– VAT	Sales of domestically sold products, sales of export goods	16.00, 13.00
– Urban maintenance and construction tax	Turnover tax payable	7.00
– Corporate income tax	Taxable incomes	25.00, 15.00
– Education surcharge	Turnover tax payable	3.00
– Local education surcharge	Turnover tax payable	2.00
Hong Kong income tax	Income from sales of goods and rendering of services	16.50

Description of taxpayers of different corporate income tax rates:

Taxpayer's name	Income tax rate (%)
Xi'an Haitian Antenna Technologies Co., Ltd.	15.00
Xi'an Haitian Wireless System Equipment Co., Ltd.	25.00
Xi'an Haitian Communication System Engineering Co., Ltd.	25.00
Haitian Antenna (Shanghai) International Trade Co., Ltd.	25.00
Xi'an Haitian Marine Technologies Co., Ltd.	25.00
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	25.00
Xi'an Haitian Automotive Electronic Technologies Co., Ltd.	25.00
Beijing Hailan Taihang Technology Development Co., Ltd.	25.00
Wuxi Shanshui Haitian Network Technologies Co., Ltd.	25.00
Suzhou Haitian New Antenna Technologies Co., Ltd.	25.00
Haitian Antenna (Hong Kong) Limited	16.50

2. Tax incentives and approvals

The Company obtained the high-tech enterprise certificate numbering GR201861001115 jointly approved by the Shaanxi Provincial Department of Science and Technology, the Shaanxi Provincial Department of Finance, and the Shaanxi Provincial Tax Service, SAT, and enjoys the income tax rate of 15.00% for new and high-tech enterprises. The certificate was issued on November 29, 2018 and is valid for three years.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As to the data of the financial statements disclosed below, unless otherwise specified, “opening” means January 1, 2019; “closing” means December 31, 2019; “the year” means the year from January 1 to December 31, 2019; the “previous year” means the year from January 1 to December 31, 2018. Unless otherwise specified, the currency unit is RMB.

1. Cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	175,102.28	59,378.32
Bank deposits	5,414,744.65	6,782,185.79
Other monetary capitals	85,182.67	52,269.23
Total	**5,675,029.60**	**6,893,833.34**
Among: Amount deposited overseas	104,822.40	1,816,204.86

Note 1: As of December 31, 2019, the Group does not have any fund that has restrictions on use and potential recovery risks due to mortgages, pledges or freezes.

Note 2: The total amount of RMB104,822.40 deposited overseas includes the bank deposit of RMB60,494.20 of the subsidiary Haitian Hong Kong, the cash on hand of RMB16,805.12 of the subsidiary Haitian Hong Kong, the bank deposit of RMB27,523.08 of the parent company Haitian Antenna.

2. Financial assets held for trading

Items	Closing balance	Opening balance
Financial assets held at fair value through profit or loss	12,805,610.08	16,357,612.88
Among: Investment in equity instruments	12,805,610.08	16,357,612.88
Total	**12,805,610.08**	**16,357,612.88**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable

(1) Accounts receivable presented by bad debt provision method

	Closing balance				
	Book balance		Provisions for bad debts		
Type	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts by single item	7,963,317.65	89.27	7,963,317.65	100.00	0.00
Provisions for bad debts by portfolio	957,498.05	10.73	46,208.41	4.83	911,289.64
Among: Aging portfolio	854,860.05	9.58	46,208.41	5.41	808,651.64
Low-risk portfolio	102,638.00	1.15	0.00	0.00	102,638.00
Total	**8,920,815.70**	**100.00**	**8,009,526.06**		**911,289.64**

(Continued table)

	Closing balance				
	Book balance		Provisions for bad debts		
Type	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts by single item	51,697,783.29	99.89	50,804,061.75	98.27	893,721.54
Provisions for bad debts by portfolio	54,595.90	0.11	0.00	0.00	54,595.90
Among: Aging portfolio	6,300.00	0.01	0.00	0.00	6,300.00
Low-risk portfolio	48,295.90	0.10	0.00	0.00	48,295.90
Total	**51,752,379.19**	**100.00**	**50,804,061.75**		**948,317.44**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

(1) Accounts receivable presented by bad debt provision method *(Continued)*

1) Provision for bad debts of receivables by single item

	Closing balance			
Name	Book balance	Provisions for bad debts	Provision ratio (%)	Reason for provision
Xi'an Jiarui Technology Development Co., Ltd.	6,480,000.00	6,480,000.00	100.00	Expected to be unrecoverable
Shaanxi Yijia Haosen Industrial Development Co., Ltd.	1,300,000.00	1,300,000.00	100.00	Expected to be unrecoverable
China Mobile Communications Group Sichuan Co., Ltd.	110,117.65	110,117.65	100.00	Expected to be unrecoverable
Chengdu Tianyu Venture Capital Technology Co., Ltd.	73,200.00	73,200.00	100.00	Expected to be unrecoverable
Total	**7,963,317.65**	**7,963,317.65**		

2) Provision for bad debts of receivables by portfolio

By aging portfolio

	Closing balance		
Aging	Book balance	Provisions for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	843,860.00	35,208.36	4.17
1-2 years	0.00	0.00	0.00
2-3 years	11,000.05	11,000.05	100.00
Total	**854,860.05**	**46,208.41**	

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

(1) Accounts receivable presented by bad debt provision method *(Continued)*

2) *Provision for bad debts of receivables by portfolio (Continued)*

Other portfolio

Portfolio name	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Low-risk portfolio	102,638.00	0.00	0.00
Total	**102,638.00**	**0.00**	

(2) Receivables presented by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	741,162.00	688,635.90
1-2 years	205,336.00	11,000.05
2-3 years	11,000.05	73,200.00
3-4 years	73,200.00	6,626,031.30
4-5 years	6,480,000.00	3,259,978.68
Over 5 years	1,410,117.65	41,093,533.26
Total	**8,920,815.70**	**51,752,379.19**

(3) Provision for bad debts of receivables of the year

Type	Opening balance	Amount of changes in the year Provision	Recovery or write-back	Charge-off or write-off	Closing balance
Provisions for bad debts	50,804,061.75	55,801.55	934,311.72	41,916,025.52	8,009,526.06
Total	**50,804,061.75**	**55,801.55**	**934,311.72**	**41,916,025.52**	**8,009,526.06**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

(3) Provision for bad debts of receivables of the year *(Continued)*

In which, the significant amount recovered or written back from the provision for bad debts of the year:

Entity name	Recovered or written back amount	Recovery method	Recovery or write-back reason
China Mobile Communications Group Sichuan Co., Ltd.	907,365.00	Bank transfer	Recovered amount
China Mobile Communications Group Jilin Co., Ltd. Baishan Branch	16,800.00	Bank transfer	Recovered amount
China Mobile Communications Group Shandong Co., Ltd. Rizhao Branch	10,146.72	Bank transfer	Recovered amount
Total	**934,311.72**		

(4) Actual write-off of accounts receivable for the year

Items	Write-off amount
Payment for goods and works	41,916,025.52

Note: with the approval of the president's office meeting of the Company, the unrecoverable payment for goods and project funds for which the depreciation reserves have been fully provided shall be written off.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

(5) Accounts receivable of top 5 debtors by closing balance

Entity name	Closing balance	Aging	Proportion to the total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Xi'an Jiarui Technology Development Co., Ltd.	6,480,000.00	4-5 years	72.64	6,480,000.00
Shaanxi Yijia Haosen Industrial Development Co., Ltd.	1,300,000.00	Over 5 years	14.57	1,300,000.00
Xi'an Ruiyang Communication Technology Co., Ltd.	466,152.00	Within 1 year	5.23	25,638.36
China Telecommunication Construction 4th Engineering Co., Ltd.	197,408.00	1-2 years	2.21	0.00
Xi'an Shengjia Communication Equipment Technology Co., Ltd.	174,000.00	1-2 years	1.95	9,570.00
Total	**8,617,560.00**		**96.60**	**7,815,208.36**

4. Advance payments

(1) Aging of advance payments

Aging	Closing balance		
	Book balance		Provisions for
	Amount	Proportion (%)	bad debts
Within 1 year	1,268,405.12	21.72	0.00
1-2 years	177,622.61	3.04	0.00
2-3 years	1,320.00	0.02	0.00
Over 3 years	4,393,529.64	75.22	3,285,463.23
Total	**5,840,877.37**	**100.00**	**3,285,463.23**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4. Advance payments *(Continued)*

(1) Aging of advance payments *(Continued)*

(Continued table)

Aging	Opening balance Book balance Amount	Proportion (%)	Provisions for bad debts
Within 1 year	347,494.00	5.85	0.00
1-2 years	1,320.00	0.02	0.00
2-3 years	4,410,845.47	74.29	3,254,262.91
Over 3 years	1,177,622.54	19.84	1,134,265.28
Total	**5,937,282.01**	**100.00**	**4,388,528.19**

Note: with the approval of the president's office meeting of the Company, the unrecovable advance payment with full provision for impairment shall be written off, and the write off amount is RMB1,003,064.96.

(2) Large-sum advance payments with aging of over 1 year

Creditor	Debtor	Closing balance	Aging	Reason for unsettlement
Haitian Antenna (Shanghai) International Trade Co., Ltd.	Shanghai Shen Hang Import & Export Co., Ltd.	4,317,572.38	Over 3 years	Agreement change, not received yet
Total		**4,317,572.38**		

(3) Advance payments of top 5 debtors by closing balance

Name of the debtor	Book balance	Proportion to total advance payments (%)	Provisions for bad debts
Shanghai Shen Hang Import & Export Co., Ltd.	4,317,572.38	73.92	3,254,263.23
Hebei Dawu Animal Husbandry Group Feed Co., Ltd.	530,570.74	9.08	0.00
AUTOGYRO GMBH	272,739.17	4.67	0.00
Suzhou Kaiying Automation Equipment Co., Ltd.	158,205.13	2.71	0.00
Jiangsu Huacan Telecommunication Co., Ltd.	114,200.00	1.96	0.00
Total	**5,393,287.42**	**92.34**	**3,254,263.23**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables

Items	Closing book value	Opening book value
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	2,233,310.05	1,722,316.16
Total	**2,233,310.05**	**1,722,316.16**

(1) Classification of other receivables by nature

Nature of fund	Closing book balance	Opening book balance
Provisional deposit	1,316,095.27	1,969,574.57
Deposit	805,348.54	144,359.00
Transaction funds	0.00	35,094.80
Others	581,769.55	1,426,660.86
Total	**2,703,213.36**	**3,575,689.23**

(2) Other receivables presented by bad debt provision method

	Closing balance				
	Book balance		Provisions for bad debts		
Type	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts by single item	447,428.31	16.55	447,428.31	100.00	0.00
Provisions for bad debts by portfolio	2,255,785.05	83.45	22,475.00	1.00	2,233,310.05
Among: Aging portfolio	65,000.00	2.40	22,475.00	34.58	42,525.00
Low-risk portfolio	2,190,785.05	81.05	0.00	0.00	2,190,785.05
Total	**2,703,213.36**	**100.00**	**469,903.31**		**2,233,310.05**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

(2) Other receivables presented by bad debt provision method *(Continued)*

(Continued table)

	Opening balance				
	Book balance		Provisions for bad debts		
Type	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts by single item	1,136,893.46	31.80	1,136,893.46	100.00	0.00
Provisions for bad debts by portfolio	2,438,795.77	68.20	716,479.61	29.38	1,722,316.16
Among: Aging portfolio	2,090,210.97	58.45	716,479.61	34.28	1,373,731.36
Low-risk portfolio	348,584.80	9.75	0.00	0.00	348,584.80
Total	**3,575,689.23**	**100.00**	**1,853,373.07**		**1,722,316.16**

1) *Provision for bad debts of other receivables by single item*

	Closing balance			
Name	Book balance	Provisions for bad debts	Provision ratio (%)	Reason for provision
Shaanxi Tiandi Communication Development Co., Ltd.	288,428.27	288,428.27	100.00	Expected to be unrecoverable
Xi'an New Haitian Communication Technology Co., Ltd.	139,000.00	139,000.00	100.00	Expected to be unrecoverable
Jia Jituo	20,000.04	20,000.04	100.00	Expected to be unrecoverable
Total	**447,428.31**	**447,428.31**		

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

(2) Other receivables presented by bad debt provision method *(Continued)*

2) Provision for bad debts of other receivables by portfolio

Aging portfolio

		Closing balance	
Aging	**Book balance**	**Provisions for bad debts**	**Provision ratio (%)**
Within 1 year	45,000.00	2,475.00	5.50
1-2 years	0.00	0.00	0.00
2-3 years	20,000.00	20,000.00	100.00
Total	**65,000.00**	**22,475.00**	

Other portfolio

		Closing balance	
Portfolio name	**Book balance**	**Provisions for bad debts**	**Provision ratio (%)**
Low-risk portfolio	2,190,785.05	0.00	0.00
Total	**2,190,785.05**	**0.00**	

(3) Other receivables presented by aging

Aging	Closing balance
Within 1 year (including 1 year)	556,214.89
1-2 years	1,672,451.95
2-3 years	418,087.48
Over 3 years	56,459.04
Total	**2,703,213.36**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

(4) Provision for bad debts of other receivables

Type	Opening balance	Amount of changes in the year			Closing balance
		Provision	Recovery or write-back	Write-off or charge-off	
Provisions for bad debts	1,853,373.07	324,021.14	201,000.00	1,506,490.90	469,903.31
Total	**1,853,373.07**	**324,021.14**	**201,000.00**	**1,506,490.90**	**469,903.31**

In which, the significant amount recovered or written back from the provision for bad debts of the year:

Entity name	Recovered or written back amount	Recovery method	Recovery or write-back reason
Shaanxi Tiandi Communication Development Co., Ltd.	175,000.00	Bank transfer	Recovered amount
Ren Jiangang	26,000.00	Third-party transfer	Recovered amount
Total	**201,000.00**		

(5) Other receivables actually written off this year

Items	Write-off amount
Transaction funds	1,506,490.90

Note: with the approval of the president's office meeting of the Company, the unrecovable amount for which the provision for impairment has been fully provided shall be written off.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

(6) Other receivables of top 5 debtors by closing balance

Entity name	Nature of fund	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of provisions for bad debts
Zuo Hong	Provisional deposit	763,838.08	1-2 years	28.26	0.00
Changshu Dongfei Warehousing & Logistics Co., Ltd.	Deposit	440,385.60	1-2 years	16.29	0.00
Shaanxi Tiandi Communication Development Co., Ltd.	Borrowing	288,428.27	1-2 years	10.67	288,428.27
STAR WAN LIMITED	Deposit	211,255.20	0-3 years	7.81	0.00
Qiu Ping	Provisional deposit	150,000.00	1-2 years	5.55	0.00
Total		**1,853,907.15**		**68.58**	**288,428.27**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6. Inventories

(1) Inventory category

Items	Book balance	Closing balance Provision for inventory devaluation	Book value
Raw materials	1,704,373.85	1,322,895.94	381,477.91
Goods in process	1,640,057.63	230,985.27	1,409,072.36
Inventory goods	1,407,468.80	211,501.19	1,195,967.61
Revolving materials	7,747.22	0.00	7,747.22
Goods delivered	3,165,955.64	2,787,843.22	378,112.42
Other	55,287.90	0.00	55,287.90
Total	**7,980,891.04**	**4,553,225.62**	**3,427,665.42**

(Continued table)

Items	Book balance	Opening balance Provision for inventory devaluation	Book value
Raw materials	1,787,860.44	1,323,111.74	464,748.70
Goods in process	598,985.27	230,985.27	368,000.00
Inventory goods	990,720.92	211,501.19	779,219.73
Revolving materials	0.00	0.00	0.00
Goods delivered	5,219,222.12	4,247,999.54	971,222.58
Other	1,820,164.93	1,764,877.03	55,287.90
Total	**10,416,953.68**	**7,778,474.77**	**2,638,478.91**

(2) Provision for inventory devaluation

Items	Opening balance	Increase in the year		Decrease in the year		Closing balance
		Provision	Others	Reversal or resale	Others	
Raw materials	1,323,111.74	0.00	0.00	215.80	0.00	1,322,895.94
Goods in process	230,985.27	0.00	0.00	0.00	0.00	230,985.27
Inventory goods	211,501.19	0.00	0.00	0.00	0.00	211,501.19
Revolving materials	0.00	0.00	0.00	0.00	0.00	0.00
Goods delivered	4,247,999.54	0.00	0.00	1,460,156.32	0.00	2,787,843.22
Other	1,764,877.03	0.00	0.00	1,764,877.03	0.00	0.00
Total	**7,778,474.77**	**0.00**	**0.00**	**3,225,249.15**	**0.00**	**4,553,225.62**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. Other current assets

Items	Closing balance	Opening balance
Input tax pending deduction	819,188.33	763,073.16
Total	**819,188.33**	**763,073.16**

8. Long-term equity investments

Invested entity	Investment costs	Opening balance	Increases/decreases in the current year: Additional investment	Decrease in investment	Investment gains and losses recognized under equity method	Adjustment of other comprehensive income	Other changes in equity	Changes due to incorporation into the scope of consolidation	Declared payment of cash dividends or profits	Provision for impairment	Closing balance	Closing balance of impairment provision
Joint venture:												
Suzhou Haitian New Antenna Technologies Co., Ltd.	6,000,000.00	1,018,248.34	4,500,000.00	0.00	(1,039,916.57)	0.00	0.00	(4,478,331.77)	0.00	0.00	0.00	0.00
Total	**6,000,000.00**	**1,018,248.34**	**4,500,000.00**	**0.00**	**(1,039,916.57)**	**0.00**	**0.00**	**(4,478,331.77)**	**0.00**	**0.00**	**0.00**	**0.00**

The newly increased investment cost of RMB4,500,000.00 in this period was due to the investment paid by the Company according to the investment agreement.

As approved by the shareholders of the Company on December 9, 2019, 166,570,176 domestic shares were issued at RMB0.21 per share to acquire 91.43% equity of its associated company Suzhou Haitian New Antenna Technologies Co., Ltd. The issuance of the domestic shares has been completed on December 20, 2019. So far, Suzhou Haitian New Antenna Technologies Co., Ltd. has become a wholly-owned subsidiary of the Group and no longer uses the equity method for accounting. As a result, the Company transferred the investment profit and loss recognized under the equity method to the cost of long-term equity investment.

9. Fixed assets

Items	Closing book value	Opening book value
Fixed assets	6,815,669.29	6,712,473.87
Disposal of fixed assets	0.00	0.00
Total	**6,815,669.29**	**6,712,473.87**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Fixed assets *(Continued)*

9.1 Fixed assets

(1) Details of fixed assets

Items	Housees & buildings	Machinery and equipment	Transportation vehicles	Office equipment	Total
I. Original book value					
1. Opening balance	2,099,122.59	3,053,889.37	3,159,536.72	3,770,171.05	12,082,719.73
2. Increase of the year	184,388.23	558,748.34	605,344.32	289,430.26	1,637,911.15
(1) Purchase	4,932.23	122,013.44	605,344.32	13,112.00	745,401.99
(2) Transfer from projects under construction	179,456.00	0.00	0.00	0.00	179,456.00
(3) Increase from business combination	0.00	436,734.90	0.00	276,318.26	713,053.16
3. Decrease of the year	0.00	232,896.76	0.00	12,070.26	244,967.02
(1) Disposal or scrapping	0.00	232,896.76	0.00	12,070.26	244,967.02
4. Closing balance	2,283,510.82	3,379,740.95	3,764,881.04	4,047,531.05	13,475,663.86
II. Accumulative depreciation					
1. Opening balance	75,247.54	581,842.21	1,370,122.27	3,343,033.84	5,370,245.86
2. Increase of this year	137,417.59	513,460.61	627,588.24	427,914.57	1,706,381.01
(1) Provision	137,417.59	485,312.28	627,588.24	366,092.04	1,616,410.15
(2) Provision for business combination	0.00	28,148.33	0.00	61,822.53	89,970.86
3. Decrease of the year	0.00	405,165.56	0.00	11,466.74	416,632.30
(1) Disposal or scrapping	0.00	405,165.56	0.00	11,466.74	416,632.30
4. Closing balance	212,665.13	690,137.26	1,997,710.51	3,759,481.67	6,659,994.57
III. Impairment provision					
1. Opening balance	0.00	0.00	0.00	0.00	0.00
2. Increase of the year	0.00	0.00	0.00	0.00	0.00
3. Decrease of the year	0.00	0.00	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Closing book value	2,070,845.69	2,689,603.69	1,767,170.53	288,049.38	6,815,669.29
2. Opening book value	2,023,875.05	2,472,047.16	1,789,414.45	427,137.21	6,712,473.87

(2) Fixed asset with certificate of title not obtained yet

None

9.2 Clearance of fixed assets

None.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Project under construction

Items	Closing book value	Opening book value
Projects under construction	337,640.00	100,000.00
Engineering materials	0.00	0.00
Total	**337,640.00**	**100,000.00**

10.1 Projects under construction

(1) Projects under construction

Items	Closing balance Book balance	Closing balance Impairment provision	Closing balance Book value
Breeding plant project	337,640.00	0.00	337,640.00
UAV mold	2,145,299.14	2,145,299.14	0.00
Total	**2,482,939.14**	**2,145,299.14**	**337,640.00**

(Continued table)

Items	Opening balance Book balance	Opening balance Impairment provision	Opening balance Book value
Breeding plant project	100,000.00	0.00	100,000.00
UAV mold	2,145,299.14	2,145,299.14	0.00
Total	**2,245,299.14**	**2,145,299.14**	**100,000.00**

(2) Changes of significant projects under construction in the year

Project name	Opening balance	Increase of the year	Transfer to fixed assets	Other decrease	Closing balance
Breeding plant project	100,000.00	417,096.00	179,456.00	0.00	337,640.00

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Project under construction *(Continued)*

10.1 Projects under construction *(Continued)*

(2) *Changes of significant projects under construction in the year (Continued)*

(Continued table)

Project name	Budget	Proportion of project input in budget (%)	Project progress (%)	Accumulated amount of capitalized interest	Among: Capitalized amount of interest in the year	Capitalization rate of interest in the year (%)	Source of funding
Breeding plant project	4,000,000.00	97.52	100.00	0.00	0.00	0.00	Self-raised

10.2 Engineering materials

None.

11. Right-of-use assets

Items	Houses and buildings	Land use right	Total
I. Original book value			
1. Opening balance	–	–	–
2. Increase of the year	5,129,718.40	337,714.80	5,467,433.20
(1) Lease	1,902,274.98	337,714.80	2,239,989.78
(2) Increase from business combination	3,227,443.42	0.00	3,227,443.42
3. Decrease of the year	0.00	0.00	0.00
4. Closing balance	5,129,718.40	337,714.80	5,467,433.20
II. Accumulative depreciation			
1. Opening balance	0.00	0.00	0.00
2. Increase of the year	2,945,833.68	24,738.98	2,970,572.66
(1) Provision	1,248,084.90	24,738.98	1,272,823.88
(2) Provision for business combination	1,697,748.78	0.00	1,697,748.78
3. Decrease of the year	0.00	0.00	0.00
4. Closing balance	2,945,833.68	24,738.98	2,970,572.66
III. Impairment provision			
1. Opening balance	0.00	0.00	0.00
2. Increase of the year	0.00	0.00	0.00
3. Decrease of the year	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00
IV. Book value			
1. Closing book value	2,183,884.72	312,975.82	2,496,860.54
2. Opening book value	0.00	0.00	0.00

The lease assets included in the Group's right-of-use asset accounting mainly include: the office building lease of Haitian Antenna (Shanghai) International Trade Co., Ltd., the office and production building lease of Suzhou Haitian New Antenna Technologies Co., Ltd., the office building lease of Haitian Antenna (Hong Kong) Limited, and the production land lease of Yixian Hailan Natural Agricultural Development Co., Ltd.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. Intangible assets

(1) Classification of intangible assets

Items	Patent	Non-patented technology	Prototype in development	Software	Total
I. Original book value					
1. Opening balance	32,000,000.00	17,589,612.92	7,377,537.78	1,915,692.23	58,882,842.93
2. Increase of the year	70,220,268.51	0.00	0.00	29,780.50	70,250,049.01
(1) Purchase	0.00	0.00	0.00	0.00	0.00
(2) Increase from business combination	70,220,268.51	0.00	0.00	29,780.50	70,250,049.01
3. Decrease of the year	0.00	0.00	0.00	0.00	0.00
4. Closing balance	102,220,268.51	17,589,612.92	7,377,537.78	1,945,472.73	129,132,891.94
II. Accumulated amortization					
1. Opening balance	32,000,000.00	17,589,612.92	2,086,031.76	1,823,066.93	53,498,711.61
2. Increase of the year	3,590,730.80	0.00	0.00	29,000.50	3,619,731.30
(1) Purchase provision	0.00	0.00	0.00	14,820.00	14,820.00
(2) Provision for business combination	3,590,730.80	0.00	0.00	14,180.50	3,604,911.30
3. Decrease of the year	0.00	0.00	0.00	0.00	0.00
4. Closing balance	35,590,730.80	17,589,612.92	2,086,031.76	1,852,067.43	57,118,442.91
III. Impairment provision					
1. Opening balance	0.00	0.00	5,291,506.02	0.00	5,291,506.02
2. Increase of the year	0.00	0.00	0.00	0.00	0.00
3. Decrease of the year	0.00	0.00	0.00	0.00	0.00
4. Closing balance	0.00	0.00	5,291,506.02	0.00	5,291,506.02
IV. Book value					
1. Closing book value	66,629,537.71	0.00	0.00	93,405.30	66,722,943.01
2. Opening book value	0.00	0.00	0.00	92,625.30	92,625.30

(2) There was no land use right with certificate of title not obtained.

13. Long-term deferred expenses

Items	Opening balance	Increase of the year	Amortization of the year	Other decrease in the year	Closing balance	Other reasons for decrease
Fit-out and renovation of office building and production workshop	2,998,108.55	628,279.09	1,650,293.06	0.00	1,976,094.58	–
Property management fee	136,644.96	0.00	136,644.96	0.00	0.00	–
Land lease payment	225,790.00	21,600.00	27,749.17	219,640.83	0.00	Adjustment of the new lease standards
Total	**3,360,543.51**	**649,879.09**	**1,814,687.19**	**219,640.83**	**1,976,094.58**	

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. Other non-current assets

Items	Closing balance	Opening balance
Advance payments for purchase of land and above-ground attachments	18,546,000.00	18,546,000.00
Others	0.00	6.75
Total	**18,546,000.00**	**18,546,006.75**

Note: the advance payment for land purchase and above-ground attachments are detailed in note 16. Other important matters 1. Litigation matters.

15. Accounts payable

(1) Presentation of accounts payable

Items	Closing balance	Opening balance
Loan	10,999,570.45	7,794,284.90
Others	121,275.62	64,428.54
Total	**11,120,846.07**	**7,858,713.44**

(2) Significant accounts payable with aging of over 1 year:

Creditors' name	Closing balance	Reason for outstanding
Xi'an Qingjian Plastic Co., Ltd.	517,970.29	Unsettled
Xi'an Maixun Communication Engineering Co., Ltd.	320,183.84	Unsettled
Xi'an Ruiyang Communication Technology Co., Ltd.	190,394.80	Unsettled
Chongqing Yuhua Telecommunication Co., Ltd.	158,983.72	Unsettled
Total	**1,187,532.65**	

(3) Accounts payable presented by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	9,422,028.51	639,299.61
1-2 years	298,991.46	588,945.34
2-3 years	99,135.64	352,239.04
Over 3 years	1,300,690.46	6,278,229.45
Total	**11,120,846.07**	**7,858,713.44**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. Advance receipts

(1) Details of advance receipts

Items	Closing balance	Opening balance
Loan	180,639.40	20,817.90
Total	**180,639.40**	**20,817.90**

(2) There is no significant advance receipts with aging of over 1 year at the end of the year

17. Payroll payable

(1) Classification of payroll payable

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Short-term remunerations	3,787,254.52	9,301,686.98	9,295,618.51	3,793,322.99
Post-employment benefits – defined contribution plans	0.00	628,022.99	620,205.95	7,817.04
Dismissal welfare	0.00	0.00	0.00	0.00
Total	**3,787,254.52**	**9,929,709.97**	**9,915,824.46**	**3,801,140.03**

(2) Short-term remunerations

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Wages, bonuses, allowances and subsidies	244,759.76	8,678,391.86	8,670,651.59	252,500.03
Staff welfare expenses	0.00	141,139.80	141,139.80	0.00
Social insurance premiums	0.00	335,273.32	330,583.12	4,690.20
Among: Medical insurance premiums	0.00	293,212.33	289,185.37	4,026.96
Work-related injury insurance premiums	0.00	16,808.04	16,523.80	284.24
Maternity insurance premiums	0.00	25,252.95	24,873.95	379.00
Housing provident fund	6,362.00	146,782.00	153,144.00	0.00
Labor union expenditures and staff education funds	3,536,132.76	100.00	100.00	3,536,132.76
Total	**3,787,254.52**	**9,301,686.98**	**9,295,618.51**	**3,793,322.99**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. Payroll payable *(Continued)*

(3) Defined contribution plans

The Group participates in social insurance plans established by government agencies as required. According to the plans, the Group pays premiums to these plans in accordance with the relevant regulations of the local government. In addition to the above payment of premiums, the Group no longer undertakes further payment obligations. The corresponding expenditures are charged to the current profits and losses or related asset cost when incurred.

The Group shall make the following payments to the endowment insurance and unemployment insurance plans as follows:

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Basic endowment insurance	0.00	609,267.40	601,687.24	7,580.16
Unemployment insurance premiums	0.00	18,755.59	18,518.71	236.88
Total	**0.00**	**628,022.99**	**620,205.95**	**7,817.04**

The Group shall pay RMB628,022.99 to the defined contribution plans participated in the year. As of December 31, 2019, the Group has the payable premiums of RMB7,817.04 due and not paid during the reporting period. The relevant payable premiums have been paid after the reporting period.

18. Taxes payable

Items	Closing balance	Opening balance
VAT	1,732,207.82	1,918,746.24
Corporate income tax	12,051.04	12,051.04
Urban maintenance and construction tax	258.47	780.51
Personal income tax	61,334.25	59,502.66
Education surcharge	178.97	551.85
Stamp duty	101,678.78	88,117.97
Other taxes and fees	115,703.02	134,089.96
Total	**2,023,412.35**	**2,213,840.23**

19. Other payables

Items	Closing balance	Opening balance
Interests payable	0.00	0.00
Dividends payable	0.00	0.00
Other payables	26,364,463.25	5,409,476.48
Total	**26,364,463.25**	**5,409,476.48**

19.1 Interests payable

None.

19.2 Dividends payable

None.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

19.3 Other payables

(1) Classification of other receivables by nature of fund

Nature of fund	Closing balance	Opening balance
Transaction funds	17,400,000.86	2,348,042.18
Fees to be paid	4,036,816.34	240,502.56
Personal loan	3,224,882.00	0.00
Project funds	877,034.42	68,357.82
Others	825,729.63	2,752,573.92
Total	**26,364,463.25**	**5,409,476.48**

(2) Other significant payables with aging of over 1 year

Entity name	Closing balance	Reason for unsettlement or carrying forward
Shaanxi New Sanqin Color Steel Co., Ltd.	827,560.42	The counter party is under abnormal operation and unable to make repayment
Jingjiu Investment (Shanghai) Co., Ltd.	500,000.00	Overdue accounts
Yixian Enkang Animal Husbandry Co., Ltd.	77,914.34	Overdue accounts
Total	**1,405,474.76**	

20. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Lease liabilities due within one year	2,121,746.95	0.00
Total	**2,121,746.95**	**0.00**

21. Other current liabilities

Items	Closing balance	Opening balance
Amount payable to shareholders	42,000,000.00	14,700,000.00
Total	**42,000,000.00**	**14,700,000.00**

22. Lease liabilities

Items	Closing balance	Opening balance
Lease liabilities	2,238,239.17	0.00
Less: Non-current liabilities due within one year	2,121,746.95	0.00
Total	**116,492.22**	**0.00**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

23. Capital stock

	Opening balance		Increase/decrease in the year (+/-)					Closing balance	
Items	Capital stock	Ratio (%)	Issuance of new share	Bonus share	Transfer of provident fund to shares	Others	Sub-total	Capital stock	Ratio (%)
Xi'an Tian'an Business Management Consulting Co., Ltd.	32,836,363.70	21.45	0.00	0.00	0.00	0.00	0.00	32,836,363.70	19.34
Shanghai Gaoxiang Investment Management Co., Ltd.	18,984,480.40	12.40	0.00	0.00	0.00	0.00	0.00	18,984,480.40	11.18
Xi'an International Medical Investment Co., Ltd.	10,000,000.00	6.53	0.00	0.00	0.00	0.00	0.00	10,000,000.00	5.89
Shenzhen Huitai Investment Development Co., Ltd.	7,506,470.60	4.90	0.00	0.00	0.00	0.00	0.00	7,506,470.60	4.42
Xi'an Haorun Investment Co., Ltd.	7,000,000.00	4.57	0.00	0.00	0.00	0.00	0.00	7,000,000.00	4.12
Beijing Jingtai Investment Management Center	5,407,794.10	3.53	0.00	0.00	0.00	0.00	0.00	5,407,794.10	3.19
Shanghai Hongzhen Ningshang Investment Management Partnership (Limited Partnership)	1,850,000.00	1.21	0.00	0.00	0.00	0.00	0.00	1,850,000.00	1.09
Shanghai Ruikou Trade Co., Ltd.	1,850,000.00	1.21	0.00	0.00	0.00	0.00	0.00	1,850,000.00	1.09
Shaanxi Yinji Investment Co., Ltd.	2,000,000.00	1.31	0.00	0.00	0.00	0.00	0.00	2,000,000.00	1.18
Jiao Chengyi	1,094,303.00	0.71	0.00	0.00	0.00	0.00	0.00	1,094,303.00	0.64
Xi'an Xiao's Antenna Technologies Co., Ltd	0.00	0.00	15,746,869.80	0.00	0.00	0.00	15,746,869.80	15,746,869.80	9.28
Liao Kang	0.00	0.00	910,147.80	0.00	0.00	0.00	910,147.80	910,147.80	0.54
Sub-total of domestic shares	**88,529,411.80**	**57.82**	**16,657,017.60**	**0.00**	**0.00**	**0.00**	**16,657,017.60**	**105,186,429.40**	**61.96**
Xiao Bing	1,000,000.00	0.65	0.00	0.00	0.00	0.00	0.00	1,000,000.00	0.59
Chen Ji	977,100.00	0.64	0.00	0.00	0.00	0.00	0.00	977,100.00	0.58
Public shares	62,599,370.60	40.89	0.00	0.00	0.00	0.00	0.00	62,599,370.60	36.87
Sub-total of H shares	**64,576,470.60**	**42.18**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**64,576,470.60**	**38.04**
Total	**153,105,882.40**	**100.00**	**16,657,017.60**	**0.00**	**0.00**	**0.00**	**16,657,017.60**	**169,762,900.00**	**100.00**

The newly increased capital stock of RMB16,657,017.60 in the current period was formed by the issuance of 166,570,176 domestic shares at RMB0.21 per share approved by the shareholders of the Company on December 9, 2019 to acquire the 91.43% equity of its associated company Suzhou Haitian New Antenna Technologies Co., Ltd. The total issuing cost is RMB34,979,736.96, of which RMB16,657,017.60 is charged to the capital stock and RMB18,322,719.36 is charged to the capital reserve. The issuance of the domestic shares has been completed on December 20, 2019. For this increase of domestic shares, Shaanxi Yuwen Certified Public Accountants Co., Ltd. has verified and issued the Capital Verification Report.

24. Capital reserves

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Equity premium	115,390,048.12	18,322,719.36	0.00	133,712,767.48
Other capital reserves	26,856,278.79	0.00	0.00	26,856,278.79
Total	**142,246,326.91**	**18,322,719.36**	**0.00**	**160,569,046.27**

For the newly increased capital reserves in the current period, please refer to IV.23 – Capital Stock for the reasons.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

25. Surplus reserves

Items	Opening balance	Increase of the year	Decrease of the year	Closing balance
Statutory surplus reserves	16,435,819.34	0.00	0.00	16,435,819.34
Total	**16,435,819.34**	**0.00**	**0.00**	**16,435,819.34**

26. Undistributed profits

Items	Amount incurred in the current year	Amount incurred in the previous year
Closing balance of last year	(288,014,535.55)	(246,934,136.52)
Plus: Adjustment of undistributed profits at the beginning of the year	0.00	0.00
Among: Changes in accounting policies	0.00	0.00
Other adjustment factors	0.00	0.00
Opening balance of the year	(288,014,535.55)	(246,934,136.52)
Plus: Net profits attributable to owners of the parent company of the year	(24,235,186.54)	(41,080,399.03)
Less: Appropriation of statutory surplus reserves	0.00	0.00
Appropriation of discretionary surplus reserves	0.00	0.00
Closing balance of the year	(312,249,722.09)	(288,014,535.55)

27. Operating income, operating costs

	Amount incurred in current year		Amount incurred in last year	
Items	Income	Costs	Income	Costs
Main business	38,750,753.87	37,671,462.11	44,183,814.01	43,302,152.08
Other businesses	412,268.01	124,522.40	271,708.45	67,178.67
Total	**39,163,021.88**	**37,795,984.51**	**44,455,522.46**	**43,369,330.75**

Composition of income and costs

Sales of goods	Main business income in 2019	Main business costs in 2019
Construction-related products	29,317,279.69	29,192,003.27
Agricultural products	7,384,006.11	6,653,198.23
Antenna products	1,912,839.75	1,769,853.91
Underwater monitoring and related products	136,628.32	56,406.70
Total	**38,750,753.87**	**37,671,462.11**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

28. Taxes and surcharges

Items	Amount incurred in current year	Amount incurred in last year
Urban maintenance and construction tax	23,375.76	2,336.93
Education surcharge	2,024.52	1,669.22
Stamp duty	34,234.50	28,381.67
Water conservancy fund	985.03	2,035.91
Environmental protection tax	50,139.71	34,368.41
Total	**110,759.52**	**68,792.14**

29. Selling expenses

Items	Amount incurred in current year	Amount incurred in last year
Technical service fee	270,217.04	0.00
Payroll	144,872.98	271,205.71
Transport charge	92,519.22	4,626.42
Traveling fees	74,264.89	103,306.60
Business entertainment expenses	35,644.70	3,633.00
Publicity expenses	34,832.91	29,150.81
After-sales service charge	14,769.37	0.00
Office fees	15,714.60	7,288.00
Sample expenses	3,949.00	0.00
Product testing fee	1,792.45	0.00
Equipment depreciation charge	372.83	990.23
Others	0.00	794.20
Total	**688,949.99**	**420,994.97**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30. Administrative expenses

Items	Amount incurred in current year	Amount incurred in last year
Payroll	9,270,387.97	9,226,398.19
Intermediation fee	1,818,993.76	1,075,228.00
Decoration costs	1,650,293.06	1,659,172.88
Traveling fees	1,387,837.53	2,453,744.32
Depreciation of right-of-use assets	1,272,823.88	0.00
Depreciation costs	1,024,062.81	1,011,926.66
Business entertainment expenses	958,194.82	496,463.48
Vehicle expenses	791,523.41	797,509.60
Office fees	481,818.99	459,340.78
Leasing fee	0.00	1,413,785.34
Utilities	214,918.65	252,209.86
Property management fee	199,664.79	192,848.03
Farming commission	104,969.68	77,914.34
Expenses of the board of directors	87,000.00	140,652.83
Disabled security fund	62,614.36	48,303.72
Transport fees	60,251.57	53,620.41
Communication fee	47,561.60	59,675.25
Amortization of intangible assets	14,820.00	14,820.00
Auditor’s remunerations	1,247,023.62	689,023.63
– Audit service fee	962,905.66	650,188.68
– Other service fee	284,117.96	38,834.95
Others	705,941.74	106,392.64
Total	**21,400,702.24**	**20,229,029.96**

31. R&D expenses

Items	Amount incurred in current year	Amount incurred in last year
Salary	318,440.24	530,298.20
Depreciation costs	137,824.68	1,594,045.35
Development service fee	135,849.06	0.00
Material fee	32,663.96	4,276.00
Traveling expenses	3,931.30	62,275.80
Others	0.00	4,111.32
Total	**628,709.24**	**2,195,006.67**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

32. Financial expenses

Items	Amount incurred in current year	Amount incurred in last year
Interest expenditures	3,179,495.01	0.00
Less: Interest income	19,357.36	26,902.67
Less: Exchange gain	33,174.74	0.00
Plus: Exchange loss	13,063.07	(68,153.35)
Plus: Other expenditures	42,529.37	24,386.28
Total	**3,182,555.35**	**(70,669.74)**

33. Other income

Source of other gain	Amount incurred in current year	Amount incurred in last year
Shaanxi Provincial Department of Science and Technology	50,000.00	0.00
Intellectual Property Office of Shaanxi	20,000.00	0.00
Credit Financial Service Platform of Xi'an High-tech Zone	0.00	31,500.00
Xi'an Technology Resources Market Co., Ltd.	0.00	1,500.00
Total	**70,000.00**	**33,000.00**

34. Investment income

Items	Amount incurred in current year	Amount incurred in last year
Long-term equity investment income accounted in equity method	(1,039,916.57)	(481,751.66)
Investment gain from disposal of financial assets held at fair value through profit or loss	36,657.80	14,440.57
Others	(1,106,652.80)	0.00
Total	**(2,109,911.57)**	**(467,311.09)**

Others are the equity interest in Suzhou Haitian acquired by step by the Company through multiple transactions, resulting in business combination. In preparing the consolidated financial statements, the equity interest in Suzhou Haitian held before the purchase date was re-calculated based on the fair value of the equity interest on the purchase date, and the difference between its fair value and carry amount are included in investment gain in the current period.

35. Gain from changes in fair value

Source of gain from changes in fair value	Amount incurred in current year	Amount incurred in last year
Financial assets measured at fair value through profit or loss	(3,556,002.80)	(8,788,406.92)
Total	**(3,556,002.80)**	**(8,788,406.92)**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36. Credit impairment loss

Items	Amount incurred in current year	Amount incurred in last year
Bad debt loss of accounts receivable	(878,510.17)	(992,849.41)
Bad debt loss of other receivables	123,021.14	(223,246.14)
Bad debt loss of advance payments	(363,978.04)	3,154,263.23
Total	**(1,119,467.07)**	**1,938,167.68**

37. Asset impairment loss

Items	Amount of the year	Amount of previous year
Impairment loss of projects under construction	0.00	2,145,299.14
Impairment loss of intangible assets	0.00	5,291,506.02
Total	**0.00**	**7,436,805.16**

38. Gain from asset disposal ("–" for loss)

Items	Amount incurred in current year	Amount incurred in last year	Amount charged to non-recurrent profit or loss of the year
Gain from disposal of non-current assets	(30,917.50)	0.00	(30,917.50)
Among: Gain from disposal of fixed assets	(30,917.50)	0.00	(30,917.50)
Total	**(30,917.50)**	**0.00**	**(30,917.50)**

39. Non-operating revenue

Items	Amount incurred in current year	Amount incurred in last year	Amount charged to non-recurrent profit or loss of the year
Gains from debt restructuring	29,633.69	413,576.50	29,633.69
Default compensation incomes	3,120,000.00	0.00	3,120,000.00
Payments that cannot be paid	1,002,581.27	0.00	1,002,581.27
Others	1,668,996.95	838.10	1,668,996.95
Total	**5,821,211.91**	**414,414.60**	**5,821,211.91**

Others included overpaid tax of the previous year returned by the tax authorities of RMB677,601.13 and non-operating revenue of RMB991,395.82 generated from the combined cost in business combination not under common control being less than the fair value of identifiable net assets on purchase date.

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

40. Non-operating expenses

Items	Amount incurred in current year	Amount incurred in last year	Amount charged to non-recurrent profit or loss of the year
Losses from debt restructuring	0.00	940,000.00	0.00
Donations	119,014.00	65,000.00	119,014.00
Expenditures of fines	541.06	3,436.84	541.06
Others	625,836.25	6,869.79	625,836.25
Total	**745,391.31**	**1,015,306.63**	**745,391.31**

41. Income tax expenses

(1) Income tax expenses

Items	Amount incurred in current year	Amount incurred in last year
Current income tax calculated according to tax law and relevant regulations	21,760.29	12,051.04
– PRC corporate income tax	21,760.29	12,051.04
– Hong Kong income tax	0.00	0.00
Deferred income tax expenses	0.00	0.00
Total	**21,760.29**	**12,051.04**

Since the Group has no taxable income in Hong Kong during the year, there is no Hong Kong income tax.

(2) Reconciliation of accounting profit and income tax expense

Items	Amount incurred in current year
Total consolidated profit in the year	(24,076,183.17)
Income tax expenses calculated at statutory/applicable tax rates	(6,019,045.79)
Impact of applying different tax rates to subsidiaries	361,637.14
Impact of adjustment of income tax of previous period	0.00
Impact of non-taxable incomes	(60,561.90)
Impact of non-deductible costs, expenses and losses	165,511.06
Impact of deductible losses from applying deferred income tax assets not recognized in previous period	0.00
Impact of deductible temporary differences or deductible losses of the deferred income tax assets not recognized in the year	5,574,219.79
Others	0.00
Income tax expenses	21,760.29

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42. Consolidated Cash Flow Statement

(1) Other cash received/paid related to operating/investment/financing activities

1) *Other cash received related to operating activities*

Items	Amount incurred in current year	Amount incurred in the previous year
Receipts of liquidated damages	3,120,000.00	0.00
Transaction funds	302,251.97	3,376,152.59
Government subsidy	70,000.00	33,000.00
Interest income	19,357.36	26,902.67
Individual income tax rebate	196.10	0.00
Total	**3,511,805.43**	**3,436,055.26**

2) *Other cash paid related to operating activities*

Items	Amount incurred in current year	Amount incurred in previous year
Transaction funds	1,349,288.68	5,922,942.23
Cost of sales	303,222.40	148,799.03
Administrative expenses	7,141,508.11	9,253,377.76
R&D expenses	172,444.32	70,663.12
Financial expenses	42,529.37	24,386.28
Non-operating expenditures	520,215.81	68,436.84
Total	**9,529,208.69**	**15,488,605.26**

3) *Other cash received related to financing activities*

Items	Amount incurred in current year	Amount incurred in previous year
Shareholder loan	17,500,000.00	0.00
Among: Shanghai Gaoxiang Investment Management Co., Ltd.	16,000,000.00	0.00
Xiao Bing	1,500,000.00	0.00
Recovery of subscription guarantee fund	500,000.00	0.00
Total	**18,000,000.00**	**0.00**

4) *Other cash paid related to financing activities*

Items	Amount incurred in current year	Amount incurred in previous year
External borrowings	25,600,000.00	0.00
Among: Suzhou Haitian New Antenna Technologies Co., Ltd.	25,600,000.00	0.00
Repayment of principal and interest on lease liabilities	625,011.39	0.00
Total	**26,225,011.39**	**0.00**

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42. Consolidated Cash Flow Statement *(Continued)*

(2) Supplemental Information to the Consolidated Cash Flow Statement

Items	Amount of the year	Amount of previous year
1. Adjustment from net profits to cash flow from operating activities	—	—
Net profits	(24,097,943.46)	(40,967,596.21)
Plus: Depreciation allowance for assets	0.00	7,436,805.16
Losses from credit impairment	(1,119,467.07)	1,938,167.68
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	1,616,410.15	1,511,232.06
Depreciation of right-of-use assets	1,272,823.88	0.00
Amortization of intangible assets	14,820.00	14,820.00
Amortization of long-term unamortized expenses	1,814,687.19	1,808,016.96
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	30,917.50	0.00
Losses from scrapping of fixed assets ("-" for gains)	0.00	0.00
Losses from changes in fair value ("-" for gains)	3,556,002.80	8,788,406.92
Financial expenses ("-" for gains)	3,179,495.01	0.00
Investment losses ("-" for gains)	1,118,515.75	467,311.09
Decrease of deferred income tax assets ("-" for increase)	0.00	0.00
Increase of deferred income tax liabilities ("-" for decrease)	0.00	0.00
Decrease of inventories ("-" for increase)	2,436,062.64	(586,512.59)
Decrease of operating receivables ("-" for increase)	43,800,444.00	5,109,533.94
Increase of operating payables ("-" for decrease)	(48,528,780.94)	(6,219,368.70)
Others	0.00	0.00
Net cash flow from operating activities	(14,906,012.55)	(20,699,183.69)
2. Material Investment and financing activities not involving cash receipts and payments return	—	—
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds to be mature within one year	0.00	0.00
Fixed assets under financial lease	0.00	0.00
3. Net change of cash and cash equivalents	—	—
Closing balance of cash	5,675,029.60	6,893,833.34
Less: Opening balance of cash	6,893,833.34	14,811,123.96
Plus: Closing balance of cash equivalents	0.00	0.00
Less: Opening balance of cash equivalents	0.00	0.00
Net increase amount of cash and cash equivalents	(1,218,803.74)	(7,917,290.62)

VI EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42. Consolidated Cash Flow Statement *(Continued)*

(2) Supplemental Information to the Consolidated Cash Flow Statement

Net amount of cash paid for acquisition of subsidiaries in the year

Items	Amount of the year
Cash or cash equivalents paid in the year for business merger in the year	0.00
Among: Suzhou Haitian New Antenna Technologies Co., Ltd.	0.00
Less: Cash and cash equivalents held by the subsidiaries on the acquisition date	611,469.57
Among: Suzhou Haitian New Antenna Technologies Co., Ltd.	611,469.57
Net cash paid for acquisition of subsidiaries	(611,469.57)

(3) Cash and cash equivalents

Items	Amount of the year	Amount of previous year
Cash	5,675,029.60	6,893,833.34
Among: Cash on hand	218,791.36	59,378.32
Bank deposit that can be used for payment at any time	5,371,055.57	6,782,185.79
Other monetary fund that can be used for payment at any time	85,182.67	52,269.23
Cash equivalents	0.00	0.00
Among: Bond investments due within three months	0.00	0.00
Closing balance of cash and cash equivalents	5,675,029.60	6,893,833.34
Among: Cash and cash equivalents that the parent company or the subsidiaries in the Group are restricted to use	0.00	0.00

43. Foreign currency monetary items

Items	Closing balance in foreign currency	Conversion exchange rate	Closing balance converted to RMB
Monetary capitals	73,988.11	–	124,714.05
Among: USD	9,595.79	6.97620	66,942.15
HKD	63,793.82	0.85978	54,848.65
AUD	598.50	4.88430	2,923.25

VII CHANGES IN CONSOLIDATION SCOPE

1. Merger of businesses not under the same control

(1) Merger of businesses not under the same control in the year

Name of the acquiree	Equity acquisition time point	Equity acquisition cost	Equity acquisition proportion (%)	Equity acquisition method
Suzhou Haitian New Antenna Technologies Co., Ltd.	December 20, 2019	34,979,736.96	91.43	Private placement

(Continued table)

Name of the acquiree	Acquisition date	Acquisition date determination basis	Incomes of the acquiree from the acquisition date to the end of the year	Net profits of the acquiree from the acquisition date to the end of the year
Suzhou Haitian New Antenna Technologies Co., Ltd.	December 31, 2019	Since there is no significant change in Suzhou Haitian from December 20, 2019 to December 31, 2019, the most recent accounting statement date on which control is obtained is December 31, 2019 as the purchase date.	0.00	0.00

The transactions in which business merger is realized step by step and control is acquired in the year are presented as follows:

Equity acquisition time point	Equity acquisition cost	Equity acquisition proportion (%)	Equity acquisition method
September 1, 2017	2,000,000.00	20.00	Cash
July 13, 2018	4,000,000.00	10.00	Cash
December 31, 2019	34,979,736.96	91.43	Private placement

(2) Consolidated costs and goodwill

Items	Suzhou Haitian New Antenna Technologies Co., Ltd.
Fair value of equity securities issued	34,979,736.96
Fair value of the equity held prior to the purchase date on the purchase date	3,371,678.97
Total consolidated costs	38,351,415.93
Less: Fair value share of identifiable net assets acquired	39,342,811.75
The amount of the combination cost less than the fair value share of the identifiable net assets obtained	991,395.82

VII CHANGES IN CONSOLIDATION SCOPE *(Continued)*

1. Merger of businesses not under the same control *(Continued)*

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

Items	Suzhou Haitian New Antenna Technologies Co., Ltd. Fair value on the acquisition date	Book value on the acquisition date
Assets:		
Monetary capitals	611,469.57	611,469.57
Accounts receivable	732,000.00	732,000.00
Advance payment	507,417.82	507,417.82
Other receivables	485,105.08	485,105.08
Inventories	679,067.07	864,365.15
Other current assets	151,404.37	151,404.37
Right-of-use assets	1,529,694.64	1,529,694.64
Fixed assets	623,082.30	611,431.40
Intangible assets	66,645,137.71	60,019,794.26
Long-term unamortized expenses	628,279.09	628,279.09
Liabilities:		
Payables	5,651,478.98	5,651,478.98
Payroll payable	165,915.38	165,915.38
Taxes payable	20,998.76	20,998.76
Other payables	25,728,240.83	25,728,240.83
Non-current liabilities due within one year	1,683,211.95	1,683,211.95
Net assets	39,342,811.75	32,891,115.48

(4) Gains or losses arising from the re-measurement of the equity originally held prior to the acquisition date at the fair value

Name of the acquiree	Book value of the equity originally held prior to the acquisition date on the acquisition date	Fair value of the equity held prior to the acquisition date on the acquisition date	Gains or losses arising from the re-measurement of the equity held prior to the acquisition date at the fair value	Determination method and major assumptions for fair value of the equity held prior to the acquisition date on the acquisition date	Amount of other comprehensive income related to the equity originally held prior to the acquisition date transferred into investment income
Suzhou Haitian New Antenna Technologies Co., Ltd.	4,478,331.77	3,371,678.97	(1,106,652.80)	Equity method	0.00

VII CHANGES IN CONSOLIDATION SCOPE *(Continued)*

2. Merger of businesses under the same control

None.

3. Reversed takeover

None.

4. Disposal of subsidiaries

None.

5. Changes in the scope of consolidation for other reasons

None.

6. Changes in consolidation scope

Added 1 subsidiary, i.e., Suzhou Haitian New Antenna Technology Co., Ltd., and incorporated its balance sheet into the consolidation scope on December 31, 2019.

VIII INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the business group

Serial No.	Enterprise name	Main business place	Domicile	Business nature	Shareholding proportion (%) Direct	Indirect	Acquisition method
1	Xi'an Haitian Wireless System Equipment Co., Ltd. *	Xi'an	Xi'an	Manufacturing	100.00	0.00	Establishment
2	Xi'an Haitian Communication System Engineering Co., Ltd. *	Xi'an	Xi'an	Construction enterprise	100.00	0.00	Establishment
3	Haitian Antenna (Hong Kong) Limited**	Hong Kong	Hong Kong	Trade	100.00	0.00	Establishment
4	Haitian Antenna (Shanghai) International Trade Co., Ltd. *	Shanghai	Shanghai	Trade	100.00	0.00	Establishment
5	Xi'an Haitian Marine Technologies Co., Ltd. *	Xi'an	Xi'an	Manufacturing	100.00	0.00	Establishment
6	Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd. *	Xi'an	Xi'an	Manufacturing	100.00	0.00	Establishment
7	Xi'an Haitian Automotive Electronic Technologies Co., Ltd. *	Xi'an	Xi'an	Manufacturing	100.00	0.00	Establishment
8	Beijing Hailan Taihang Technology Development Co., Ltd. *	Beijing	Beijing	Trade	100.00	0.00	Establishment
9	Wuxi Shanshui Haitian Network Technologies Co., Ltd. *	Wuxi	Wuxi	Software and information technology services	100.00	0.00	Establishment
10	Suzhou Haitian New Antenna Technologies Co., Ltd. *	Changshu	Changshu	Manufacturing	100.00	0.00	Acquisition
11	Heinz (Hong Kong) Light Aviation Engines Limited**	Hong Kong	Hong Kong	No business	100.00	0.00	Establishment
12	Yixian Hailan Natural Agricultural Development Co., Ltd.*	Yi County	Yi County	Trade in poultry and agricultural products	51.00	0.00	Establishment
13	Shaanxi Haitian Luotai Aviation Light Engine Technology Co., Ltd.*	Weinan	Weinan	Software and information technology services	100.00	0.00	Establishment

* A subsidiary established in the PRC.

** A subsidiary established in Hong Kong, SAR, the PRC

VIII INTERESTS IN OTHER ENTITIES *(Continued)*

1. Interests in subsidiaries *(Continued)*

(2) Major non-wholly-owned subsidiaries

Name of subsidiary	Minority shareholding ratio	Profits and losses attributable to minority shareholders in the year	Dividends declared for distribution to minority shareholders in the year	Closing balance of minority equity
Yixian Hailan Natural Agricultural Development Co., Ltd.	49.00%	137,243.08	0.00	3,075,930.89

(3) Major financial information of significant non-wholly owned subsidiaries

Items	Yixian Hailan Natural Agricultural Development Co., Ltd. Closing balance (amount incurred in the year)	Opening balance (amount incurred in last year)
Current assets	5,449,969.84	4,968,206.71
Non-current assets	3,827,509.40	3,441,150.39
Total assets	9,277,479.24	8,409,357.10
Current liabilities	825,284.39	330,402.39
Non-current liabilities	93,152.22	0.00
Total liabilities	918,436.61	330,402.39
Operating incomes	7,384,006.11	4,716,350.25
Net profits	280,087.92	230,209.84
Total comprehensive incomes	280,087.92	230,209.84
Cash flows from operating activities	218,251.22	(14,225.85)

(4) Major restrictions on the use of the assets of an enterprise group and the repayment of its debts

None.

2. Case in which the owner's share of equity in a subsidiary changes and the owner still controls the subsidiary

None.

3. Interests in a joint venture or associated enterprise

None.

4. Significant joint venture

None.

5. Structured subjects not included in the scope of consolidated financial statements

None.

IX RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The main financial instruments of the Group include borrowings, receivables, payables, and financial assets held for trading. For details of each financial instrument, see Note 6 here. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

1. Various risk management goals and policies

The goal of the Group's risk management is to achieve an appropriate balance between risk and return, to minimize the negative impact of risks on the Group's operating performance, and to maximize the interests of shareholders and other equity investors. Based on this risk management goal, the basic strategy of the Group's risk management is to determine and analyze the various risks faced by the Company, establish an appropriate risk tolerance bottom line and conduct risk management, and timely and reliably supervise various risks to control risks within the limited range.

(1) Market risks

1) *Exchange rate risk*

The Group's exposure to exchange rate risk is mainly related to the US dollar, Hong Kong dollar and Australian dollar. Except for several subsidiaries of the Group that trade in Hong Kong dollar, the other major business activities of the Group are denominated in RMB. As of December 31, 2019, except for the USD balance of assets and liabilities and the sporadic AUD and HKD balances described in the table below, the balance of the Group's assets and liabilities are all dominated in RMB. The exchange rate risk arising from the assets and liabilities of such foreign currency balance may have an impact on the operating performance of the Company.

Items	December 31, 2019 (RMB)	December 31, 2018 (RMB)
Monetary capitals – USD	66,942.15	300,122.45
Monetary capitals – AUD	2,923.25	2,887.76
Monetary capitals – HKD	54,848.65	1,591,539.48

The Group pays close attention to the impact of exchange rate changes on the Group.

2) *Interest rate risk*

The Group's interest rate risk arises from interest-bearing debts such as loans. Financial liabilities with floating interest rate expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rate expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed-rate and floating-rate contracts based on the market environment at the time.

The risk of changes in the fair value of financial instruments caused by changes in interest rates of the Group is mainly related to fixed-rate bank borrowings. For fixed-rate borrowings, the Company's goal is to maintain its floating interest rate.

The risk of changes in the cash flows of financial instruments caused by changes in interest rates of the Group is mainly related to floating-rate bank borrowings. The Group's policy is to maintain floating interest rates on these loans to eliminate the fair value risk of interest rate changes.

IX RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Various risk management goals and policies *(Continued)*

(1) Market risks *(Continued)*

3) Price risk

The Group sells goods at market prices and is therefore affected by these price fluctuations.

(2) Credit risk

As of December 31, 2019, the maximum credit risk exposure that may cause financial losses to the Company was mainly due to the losses of the Group's financial assets caused by the failure of other parties to contracts, including:

The book amount of the financial assets confirmed in the consolidated balance sheet; for financial instruments measured at fair value, the book value reflects their risk exposure, but not the maximum risk exposure, which will change with the fair value in the future.

In order to reduce credit risk, the Group established a special department to determine the credit limit, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover expired claims. In addition, the Company reviews the recovery of each single receivable on each balance sheet date to ensure that sufficient bad debt provision is made for the unrecoverable amounts. Therefore, the management of the Company believes that the credit risk assumed by the Company has been greatly reduced.

The Group's working capital is deposited in banks with high credit ratings, so the credit risk of working capital is low.

The Group has adopted necessary policies to ensure that all sales customers have a good credit history.

IX RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Various risk management goals and policies *(Continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Company cannot fulfill its financial obligations on the due date. The Company's method of managing liquidity risk is to ensure that there is sufficient liquidity to fulfill due obligations without causing unacceptable losses or damages to the business reputation.

The Company uses shareholder loans as the main source of financing.

The financial assets and financial liabilities held by the Group are analyzed according to the maturity period of the undiscounted remaining contractual obligations as follows:

Amount on December 31, 2019: *Unit: RMB*

Items	Within one year	One to two years	Two to five years	Over five years	Total
Financial assets					
Monetary capitals	5,675,029.60	0.00	0.00	0.00	5,675,029.60
Financial assets held for trading	12,805,610.08	0.00	0.00	0.00	12,805,610.08
Accounts receivable	705,953.64	205,336.00	0.00	0.00	911,289.64
Other receivables	414,739.89	1,384,023.68	398,087.48	36,459.00	2,233,310.05
Financial liabilities					
Accounts payable	9,422,028.51	298,991.46	1,399,826.10	0.00	11,120,846.07
Other payables	24,275,049.73	170,574.34	1,918,839.18	0.00	26,364,463.25
Payroll payable	3,801,140.03	0.00	0.00	0.00	3,801,140.03
Other current liabilities	27,300,000.00	14,700,000.00	0.00	0.00	42,000,000.00

2. Sensitivity analysis

The Group uses sensitivity analysis techniques to analyze the possible and possible impact of risk variables on current profit and loss or shareholders' equity. Since any risk variable rarely changes in isolation, and the correlation between variables will have a significant effect on the final impact of a certain risk variable change, the following contents are based on the assumption that each variable change is independent.

IX RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

2. Sensitivity analysis *(Continued)*

(1) Sensitivity analysis of foreign exchange risk

The sensitivity analysis of foreign exchange risk assumes that all net investment hedges and cash flow hedges for overseas operation are highly effective.

On the basis of the above assumptions, and under the condition that other variables remain unchanged, the possible after-tax impact of reasonable changes in exchange rate on the current profit and loss and equity are as follows:

		2019		2018	
Items	Change in exchange rate	Impact on net profits	Impact on shareholders' equity	Impact on net profits	Impact on shareholders' equity
All foreign currencies	Rise by 5% against RMB	6,235.70	6,235.70	94,727.48	94,727.48
All foreign currencies	Fall by 5% against RMB	(6,235.70)	(6,235.70)	(94,727.48)	(94,727.48)

(2) Sensitivity analysis of interest rate risk

The sensitivity analysis of interest rate risk is based on the following assumptions:

Changes in market interest rates affect the interest incomes or expenses of variable-rate financial instruments;

For fixed-rate financial instruments measured at fair value, changes in market interest rates only affect their interest incomes or expenses;

The changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated using the discounted cash flow method at the market interest rate on the balance sheet date.

Since all bank balances of the Group are of short-term nature, no change in interest rates will be considered to have a significant impact on the Group, so no sensitive analysis is required.

X DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

Items	Closing fair value Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Sustained fair value measurement	–	–	–	–
(1) Financial assets held for trading				
1. Financial assets measured at fair value through profit or loss	12,805,610.08	0.00	0.00	12,805,610.08
Total assets measured at fair value on a recurring basis	12,805,610.08	0.00	0.00	12,805,610.08
II. Non-sustained fair value measurement	–	–	–	–
Total liabilities measured at fair value on a recurring basis	0.00	0.00	0.00	0.00

2. The determination basis of the market price of continuous and non-continuous level-1 fair value measurement items

For the continuous level-1 fair value measurement, the Group's financial assets measured at fair value through current profit or loss are stocks listed on the Shenzhen Stock Exchange, so the calculation is made on basis of the closing price on December 31, 2019.

3. For the continuous and non-continuous level-2 fair value measurement items, the qualitative and quantitative information of the adopted valuation technology and important parameters

None.

4. For the continuous and non-continuous level-3 fair value measurement items, the qualitative and quantitative information of the adopted valuation technology and important parameters

None.

5. For the continuous level-3 fair value measurement items, the adjustment information between opening and closing book value and the sensitivity analysis of unobservable parameters

None.

6. For continuous fair value measurement items, the transitions between levels occurred during the year

None.

7. Change in valuation technique occurring in the year and reason for change

None.

8. Assets and liabilities not measured at fair value but disclosed at fair value

None.

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) Related party relationships

1. Equities of directors, supervisors and chief executive officer in the Company

(1) Equities of domestic shares in the Company

Name	Identity	Number of domestic shares held	Proportion to domestic shares	Proportion to total shares	Proportion to enlarged domestic shares in issue	Proportion to expanded shares	Remarks
Xiao Bing	Actual owner, interests of family members and interests of controlled companies	550,832,335	52.37%	32.45%	44.00%	29.03%	Note 1
Chen Ji	Interests of controlled companies	273,344,804	25.99%	16.10%	21.84%	14.40%	Note 2

(2) Equities of H shares in the Company

Name	Identity	Number of H shares	Proportion to H shares issued	Proportion to total shares issued	Proportion to enlarged shares in issue	Remarks
Xiao Bing	Actual owner	10,000,000	1.55%	0.59%	0.53%	
Chen Ji	Actual owner and interests of controlled companies	46,071,000	7.13%	2.71%	2.43%	Note 3
Lu Lihua	Actual owner	14,000	<0.01%	<0.01%	<0.01%	Note 4

(3) Short position of H shares in the Company

Name	Identity	Number of H shares	Proportion to H shares issued	Proportion to total shares issued	Proportion to enlarged shares in issue	Remarks
Chen Ji	Interests of controlled companies	36,300,000	5.62%	2.14%	1.91%	Note 5

Note 1: Xi'an Tian'an Business Management Consulting Co., Ltd. (Tian'an Business) holds 328,363,637 domestic shares. The company is beneficially owned as to 60% and 40% by Mr. Xiao Bing and his spouse Ms. Chen Jing respectively. 157,468,698 domestic shares are held by Xi'an Xiao's Antenna Technologies Co., Ltd. (Xiao's Antenna), which is beneficially owned as to 70% by his father Professor Xiao Liangyong and 30% by his spouse Ms. Chen Jing. According to the Securities and Futures Ordinance, Mr. Xiao Bing is deemed to be interested in the same batch of 328,363,637 and 157,468,698 domestic shares. According to the special authorization (see the company's circular dated February 2, 2018 for details), Mr. Xiao Bing will be issued and allotted 65,000,000 domestic shares.

Note 2: Shanghai Gaoxiang Investment Management Co., Ltd. (Gaoxiang Investment) holds 189,844,804 domestic shares and will be issued and allotted with 65,000,000 domestic shares under the special authorization (see the company's circular dated February 2, 2018 for details). The company is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal shares. Shanghai Hongzhen Ning Shang Investment Management Partnership (Limited Partnership) (Shanghai Hong Zhen Ning Shang) holds 18,500,000 domestic shares, which are beneficially owned by Mr. Chen Ji and Shanghai Hongzhen Ningshang Investment Management Co., Ltd. (Shanghai Hongzhen) as to 83.33% and 16.67%, respectively. Shanghai Hongzhen is beneficially owned by Gaoxiang Investment as to 60%. According to the Securities and Futures Ordinance, Mr. Chen Ji is deemed to be interested in the same batch of 254,844,804 and 18,500,000 domestic shares.

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(I) Related party relationships *(Continued)*

1. Equities of directors, supervisors and chief executive officer in the Company *(Continued)*

(3) Short position of H shares in the Company (Continued)

Note 3: Mr. Chen Ji holds 9,771,000 H shares. An investment product issued by Guotai Junan Financial Products Limited (Guotai Junan Financial) holds 36,300,000 H shares. The company is beneficially owned by Guotai Junan International Holdings Limited (Guotai Junan International). Guotai Junan International or Guotai Junan Holdings Limited (Guotai Junan Holdings) beneficially owns 65.74% equities. The latter is beneficially owned by Guotai Junan Securities Co., Ltd. (Guotai Junan Securities). Gaoxiang Investment's investment manager, Zhongrong International Trust Co., Ltd. (Zhongrong International) holds such investment product issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse, Ms. Sun Xiangjun in equal shares. According to the Securities and Futures Ordinance, Mr. Chen Ji is deemed to be interested in the same batch of 36,300,000 H shares.

Note 4: Ms. Lu Lihua is an employee supervisor.

Note 5: The short position of 36,300,000 related H shares comes from the unlisted and cash settlement derivatives issued by Guotai Junan Financial, which is beneficially owned by Guotai Junan International. Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings, which is beneficially owned by Guotai Junan Securities. Gaoxiang Investment's investment manager, Zhongrong International holds such unlisted and cash settlement derivatives issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal shares. According to the Securities and Futures Ordinance, Mr. Chen Ji is deemed to be interested in the same batch of 36,300,000 H shares.

Note 6: The issued shares will be expanded due to the issuance and allotment of 200,000,000 domestic shares under special authorization (see the company's circular dated February 2, 2018). The special authorization was approved at the extraordinary general meeting on March 19, 2018, and 200,000,000 domestic shares were issued and allotted on March 12, 2020.

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(I) Related party relationships *(Continued)*

2. Subsidiary

Subsidiary's name	Domicile	Business nature	Registered capital (RMB'0000 CNY)	Shareholding proportion (%)	Proportion of voting rights (%)
Xi'an Haitian Wireless Communication Equipment Co., Ltd.	Xi'an	Construction enterprise	2,000.00	100.00	100.00
Xi'an Haitian Communication System Engineering Co., Ltd.	Xi'an	Manufacturing	3,000.00	100.00	100.00
Haitian Antenna (Hong Kong) Limited	Hong Kong	Trade	159.75	100.00	100.00
Haitian Antenna (Shanghai) International Trade Co., Ltd.	Shanghai	Trade	2,000.00	100.00	100.00
Yixian Hailan Natural Agricultural Development Co., Ltd.	Yixian	Trading of poultry and agricultural products	1,000.00	51.00	51.00
Xi'an Haitian Marine Technologies Co., Ltd.	Xi'an	Manufacturing	1,000.00	100.00	100.00
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	Xi'an	Manufacturing	1,000.00	100.00	100.00
Xi'an Haitian Automotive Electronic Technologies Co., Ltd.	Xi'an	Manufacturing	100.00	100.00	100.00
Beijing Hailan Taihang Technology Development Co., Ltd.	Beijing	Trade	1,000.00	100.00	100.00
Wuxi Shanshui Haitian Network Technologies Co., Ltd.	Wuxi	Husbandry	1,000.00	100.00	100.00
Shaanxi Haitian Luotai Aviation Light Engine Technology Co., Ltd.	Weinan	Software and information technology services	1,000.00	100.00	100.00
Suzhou Haitian New Antenna Technologies Co., Ltd.	Changshu	Manufacturing	4,002.8571	100.00	100.00
Heinz (Hong Kong) Light Aviation Engines Limited	Hong Kong	No business	0.000675	100.00	100.00

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(I) Related party relationships *(Continued)*

3. Name of other related party

Name of related party	Type of related party relationship
Xi'an Tian An Corporate Management and Consulting Co., Ltd.	Shareholder of the Company
Xi'an Xiao's Antenna Technologies Co., Ltd.	Shareholder of the Company
Shanghai Gaoxiang Investment Management Co., Ltd.	Shareholder of the Company
Xi'an Tianditong Communication Development Co., Ltd.	An enterprise controlled by director (Zuo Hong is a non-executive director of the Company and a major shareholder of Shaanxi Tianditong, and Shaanxi Tianditong is owned by Zuo Hong as to 90%)
Xi'an Haitian Hi-tech Power Co., Ltd.	An enterprise controlled by director (Zuo Hong is a non-executive director of the Company and an executive director and shareholder of Xi'an Haitian Hi-tech, and Xi'an Haitian Hi-tech is owned by Zuo Hong as to 5%)
Xiao Bing, Chairman	Senior management and directors of the company
Zuo Hong, deputy general manager	Senior management and director of the Company

(II) Related party transaction

1. Purchase by related parties

Related party	Content of related transactions	Amount incurred in the current year	Amount incurred in the previous year
Suzhou Haitian New Antenna Technologies Co., Ltd.	Purchase commodity	647,787.61	0.00
Total	**–**	**647,787.61**	**0.00**

2. Capital lending between related parties

Name of related party	Lending amount	Commencement date	Maturity date	Remarks
Borrowing				
Shanghai Gaoxiang Investment Management Co., Ltd.	17,400,000.00	–	–	
Xiao Bing	1,500,000.00	–	–	
Lending				
Suzhou Haitian New Antenna Technologies Co., Ltd.	25,600,000.00	–	–	

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(II) Related party transaction *(Continued)*

3. Remunerations of key management personnel

Item name	Amount incurred in current year	Amount incurred in last year
Total remunerations	5,338,730.99	4,540,760.11

Note: key management personnel include directors, senior executives and company secretary of the Company

(III) Transaction balance of related party

1. Other receivables of related party

Related party (item)	Closing balance	Opening balance
Senior management and director of the Company		
Zuo Hong	763,838.08	802,312.08
Shareholder of the Company		
Xi'an Tian An Corporate Management and Consulting Co., Ltd.	0.00	2,300.00
Enterprise controlled by director		
Shaanxi Tianditong Communication Development Co., Ltd.	288,428.27	463,428.27
Less: Provisions for bad debts	288,428.27	465,728.27
Total	**763,838.08**	**802,312.08**

2. Accounts payable of related party

Related party (item)	Closing balance	Opening balance
Shareholder of the Company		
Xi'an Xiao's Antenna Technologies Co., Ltd.	5,200,000.00	0.00
Total	**5,200,000.00**	**0.00**

3. Other accounts payable of related party

Related party (item)	Closing balance	Opening balance
Director of the Company		
Xiao Bing	1,500,000.00	–
Shareholder of the Company		
Shanghai Gaoxiang Investment Management Co., Ltd.	17,400,000.00	1,400,000.00
Total	**18,900,000.00**	**1,400,000.00**

(IV) Commitment of related party

None.

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(V) Remunerations of directors, supervisors and employees

1. The remunerations of directors and supervisors are as follows:

Items	Salary and allowance	Social insurance, housing fund and pension	Bonus	Share payment	Total
Amount incurred in current year					
Executive director					
Xiao Bing	405,626.26	34,930.80	0.00	0.00	440,557.06
Chen Ji	642,820.03	0.00	0.00	0.00	642,820.03
Supervisor					
Lu Lihua	103,200.00	22,088.32	0.00	0.00	125,288.32
Li Tianzuo	192,900.00	55,256.54	0.00	0.00	248,156.54
Shang Lijian	0.00	0.00	0.00	0.00	0.00
Wang Xiaokun	12,000.00	0.00	0.00	0.00	12,000.00
Zhang Yi	12,000.00	0.00	0.00	0.00	12,000.00
Shen Hongxiu	310,404.00	48,625.50	0.00	0.00	359,029.50
Non-executive director					
Sun Wenguo	6,000.00	0.00	0.00	0.00	6,000.00
Li Wenqi	6,000.00	0.00	0.00	0.00	6,000.00
Zuo Hong	363,220.00	57,031.58	0.00	0.00	420,251.58
Huang Jing	324,000.00	0.00	0.00	0.00	324,000.00
Yan Weimin	6,000.00	0.00	0.00	0.00	6,000.00
Zhang Jun	12,000.00	0.00	0.00	0.00	12,000.00
Shi Ping	12,000.00	0.00	0.00	0.00	12,000.00
Tu Jijun	12,000.00	0.00	0.00	0.00	12,000.00
Lei Zhenya	12,000.00	0.00	0.00	0.00	12,000.00
Total	2,432,170.29	217,932.74	0.00	0.00	2,650,103.03
Amount incurred in last year					
Executive director					
Xiao Bing	383,491.00	39,462.00	0.00	0.00	422,953.00
Chen Ji	561,942.00	0.00	0.00	0.00	561,942.00
Supervisor					
Li Tianzuo	192,820.00	25,090.80	0.00	0.00	217,910.80
Shang Lijian	3,000.00	0.00	0.00	0.00	3,000.00
Wang Xiaokun	12,000.00	0.00	0.00	0.00	12,000.00
Zhang Yi	12,000.00	0.00	0.00	0.00	12,000.00
Shen Hongxiu	324,000.00	93,770.42	0.00	0.00	417,770.42
Yan Feng	3,000.00	0.00	0.00	0.00	3,000.00
Non-executive director					
Li Wenqi	6,000.00	0.00	0.00	0.00	6,000.00
Sun Wenguo	6,000.00	0.00	0.00	0.00	6,000.00
Huang Jing	231,503.00	0.00	0.00	0.00	231,503.00
Yan Weimin	6,000.00	0.00	0.00	0.00	6,000.00
Zuo Hong	363,270.00	32,576.40	0.00	0.00	395,846.40
Shi Ping	12,000.00	0.00	0.00	0.00	12,000.00
Tu Jijun	12,000.00	0.00	0.00	0.00	12,000.00
Zhang Jun	12,000.00	0.00	0.00	0.00	12,000.00
Lin Jiali	7,000.00	0.00	0.00	0.00	7,000.00
Lei Zhenya	2,000.00	0.00	0.00	0.00	2,000.00
Total	2,150,026.00	190,899.62	0.00	0.00	2,340,925.62

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(V) Remunerations of directors, supervisors and employees *(Continued)*

2. Five highest paid individuals

Two of the top five highest-paid individuals of the year are directors (three in the previous year), whose remunerations are set out in Note "XI (V). (1) The remunerations have been reflected in the remunerations of directors and supervisors". The remunerations of the other 3 (2 in the previous year) are as follows:

Items	Amount incurred in current year	Amount incurred in last year
Salary and allowance	2,224,446.39	1,236,145.20
Costs of social insurance, housing fund and related pension	118,263.16	77,003.89
Total	**2,342,709.55**	**1,313,149.09**

Scope of remuneration:

Items	Number of individual in current year	Number of individual in last year
Less than RMB1,000,000	5	4
RMB1,000,001 to RMB1,500,000	0	1
RMB1,500,001 to RMB2,000,000	0	0
RMB2,000,001 to RMB2,500,000	0	0

3. During the year, none of the directors of the Company waived or agreed to waive any remuneration. During the track record period, the Company did not pay any remuneration to any director, supervisor or the five highest paid individuals as an incentive to attract them to join the Company or as compensation for dismission.

4. Remuneration of key management personnel

Remuneration of key management personnel (including amounts paid and payable to directors, supervisors and senior management) are as follows:

Items	Amount incurred in current year	Amount incurred in last year
Salary and allowance	5,062,708.50	4,269,688.55
Costs of social insurance, housing fund and related pension	366,022.49	364,071.56
Total	**5,428,730.99**	**4,633,760.11**

XI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(VI) Loans receivable from directors or directors' related enterprises

1. The Company's loans receivable from directors or directors' related enterprises

None.

2. Loans of directors or directors' related enterprises guaranteed by the Company

None.

XII SHARE PAYMENT

None.

XIII CONTINGENCY

None.

XIV COMMITMENT

None.

XV EVENTS AFTER THE BALANCE SHEET DATE

On March 12, 2020, 200,000,000 domestic shares were allotted and issued to subscribers in accordance with the special authorization approved by the special general meeting of shareholders on March 19, 2018 (see the Circular of the company on February 2, 2018 for details). After the allotment and issuance of 200,000,000 domestic shares, the share capital of the company has increased from 1,697,629,000 shares to 1,897,629,000 shares.

XVI OTHER IMPORTANT MATTERS

1. Litigation

The contract case of transferring the right to use construction land with Xi'an Xiangyu Aviation Technology Co., Ltd.

In 2015, the Company signed a contract for the transfer of state-owned land use right and projects under construction with Xi'an Xiangyu Aviation Technology Co., Ltd. (hereinafter referred to as "Xi'an Xiangyu") to sell the use right for a state-owned land (X.G.X.C.A.Y.G. [2001] No. 007) and the above-ground attachments to the Company at a transfer price of RMB40 million. The Company paid a transfer price of RMB18,546,000 in accordance with the Contract, but Xi'an Xiangyu has not assisted the plaintiff to go through the industrial land transfer registration procedures, and the land is still registered under the name of Xi'an Xiangyu.

After many unsuccessful negotiations by the Company, Xi'an Xiangyu was sued to the Chang'an District People's Court in Xi'an in September 2017. After the court filed the case, Xi'an Xiangyu filed a jurisdiction objection. The court dismissed the suit of Haitian Antenna on the ground that "the defendant fails to provide the clear address of the defendant, causing the failure to deliver the copy of the litigation documents such as the copy of the bill of complaint and summon, and resulting in the inability to proceed with the litigation process". After receiving the ruling of the court, Haitian Antenna filed an appeal to the Xi'an Intermediate People's Court in 2018. On March 29, 2018, the Xi'an Intermediate People's Court heard the appeal, and ruled that the case should continue to be heard by the Chang'an District People's Court on May 2, 2018. On November 14, 2019, the Chang'an District People's Court once again dismissed the appeal on the ground that "the land is still under a detention order and there is a problem of overlapping".

XVI OTHER IMPORTANT MATTERS *(Continued)*

1. Litigation *(Continued)*

The contract case of transferring the right to use construction land with Xi'an Xiangyu Aviation Technology Co., Ltd. *(Continued)*

On December 11, 2019, the Company issued an announcement on the above dismissal and decided not to appeal the court's ruling based on the legal counsel's recommendation.

On January 15, 2020, the Company issued the "Arrangements for Dismissal of Lawsuits and Land Use Right Registration Filed by the Company" regarding the dismissal of the above-mentioned litigation matters, elaborating on the reasons for the court's ruling, seizure order, and waiting for sealing-up, overlapping issue, reasons for not appealing the court's ruling, expected appeal results and litigation costs, potential consequences and impacts on the Company, other alternative methods, and arrangement of land use right registration.

The company has considered the legal advice and believes that the company's rights and funds are not at risk for the time being.

2. Impact of COVID-19 on the Group

Since 2020, all sectors of society have faced an unstable and challenging situation caused by the widespread spread of COVID-19 in China. The Group has assessed the overall impact of the current situation on the operation of the Group and has taken all possible and effective measures to limit and control the impact. The Group will continue to pay attention to changes in the situation, respond to the concerns and take adjustment measures in a timely manner.

3. Segment information

(1) Determination basis and accounting policies of the reporting segments

The Group determines operating segments based on internal organizational structure, management requirements, and internal reporting systems, and determines reporting segments based on operating segments.

Operating segment refers to a component within the group that simultaneously meets the following conditions: 1) The component can generate revenue and incur expenses in daily activities; 2) The management of the Group can regularly evaluate the operating results of the component to decide allocating resources to it and evaluate its performance; 3) The Group can obtain relevant accounting information such as the financial status, operating results and cash flow of this component.

The directors of the Company choose to manage the Group by different products and services. Specifically, the Group's reportable segments are as follows:

Sales of antenna products and provision of related services;

Sales of underwater monitoring products and related products;

Sales of UAV products;

Sales of construction-related products;

Sales of agricultural products.

The accounting policies of the operating segments of the Group are the same as the main accounting policies of the Group.

XVI OTHER IMPORTANT MATTERS *(Continued)*

3. Segment information *(Continued)*

(2) Financial information of the reporting segments in the year

The analysis of the Group's assets, liabilities, incomes and costs by reportable and operating segments is as follows:

Segment assets:

Segment	Closing balance	Opening balance
Sales of antenna products and provision of related services	95,280,963.93	5,600,410.00
Sales of underwater monitoring products and related products	758,153.40	799,033.00
Sales of UAV products	1,123,257.37	21,661,333.00
Sales of construction-related products	2,285,141.10	1,258,518.00
Sales of agricultural products	5,776,284.62	4,140,456.00
Total segment assets	105,223,800.42	33,459,750.00
Undistributed assets	20,098,914.26	27,242,533.48
Total comprehensive assets	**125,322,714.68**	**60,702,283.48**

Segment liabilities:

Segment	Closing balance	Opening balance
Sales of antenna products and provision of related services	22,308,144.44	14,136,892.00
Sales of underwater monitoring products and related products	70,389.69	62,069.00
Sales of UAV products	80,000.00	224,657.00
Sales of construction-related products	17,427,568.29	1,567,330.00
Sales of agricultural products	918,436.61	88,511.00
Total segment liabilities	**40,804,539.03**	**16,079,459.00**
Undistributed liabilities	46,924,201.24	17,910,643.57
Total comprehensive liabilities	**87,728,740.27**	**33,990,102.57**

Segment incomes and costs:

Sales of goods	Main business incomes in 2019	Main business costs in 2019
Antenna products	1,912,839.75	1,769,853.91
Underwater monitoring and related products	136,628.32	56,406.70
UAV products	0.00	0.00
Construction-related products	29,317,279.69	29,192,003.27
Agricultural products	7,384,006.11	6,653,198.23
Total	**38,750,753.87**	**37,671,462.11**

XVI OTHER IMPORTANT MATTERS *(Continued)*

3. Segment information *(Continued)*

(2) Financial information of the reporting segments in the year

Segment revenue and performance:

Items	Sales of antenna products and provision of related services	Sales of underwater monitoring products and related products	Sales of UAV products	Sales of construction-related products	Sales of agricultural products	Total
Revenue:						
External sales	1,912,839.75	136,628.32	0.00	29,317,279.69	7,384,006.11	38,750,753.87
Segment profit (loss)	3,018,951.58	79,264.46	(179,152.47)	(197,851.10)	479,735.60	3,200,948.07
Other incomes not distributed	0.00	0.00	0.00	0.00	0.00	(1,588,983.94)
Unallocated corporate expenses for changes in the fair value of financial assets at fair value through profit and loss	0.00	0.00	0.00	0.00	0.00	(3,556,002.80)
Financial costs	0.00	0.00	0.00	0.00	0.00	(3,182,555.35)
Undistributed incomes	0.00	0.00	0.00	0.00	0.00	387,892.96
Undistributed expenditures	0.00	0.00	0.00	0.00	0.00	(18,262,183.44)
Investment incomes of joint ventures	0.00	0.00	0.00	0.00	0.00	(1,039,916.57)
Loss before tax	0.00	0.00	0.00	0.00	0.00	(24,076,183.16)

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Accounts receivable presented by provision for bad debts method

Type	Closing balance Book balance Amount	Proportion (%)	Provisions for bad debts Amount	Provision ratio (%)	Book value
Provision for bad debts by single item	7,890,117.65	89.81	7,890,117.65	100.00	0.00
Provisions for bad debts by portfolio	895,152.05	10.19	290,208.41	32.42	604,943.64
Among: Aging portfolio	895,152.05	10.19	290,208.41	32.42	604,943.64
Risk-free portfolio	0.00	0.00	0.00	0.00	0.00
Total	**8,785,269.70**	**100.00**	**8,180,326.06**	**–**	**604,943.64**

(Continued table)

Type	Opening balance Book balance Amount	Proportion (%)	Provisions for bad debts Amount	Provision ratio (%)	Book value
Provision for bad debts by single item	42,993,856.41	100.00	37,785,594.88	87.89	5,208,261.53
Provisions for bad debts by portfolio	0.00	0.00	0.00	0.00	0.00
Among: Aging portfolio	0.00	0.00	0.00	0.00	0.00
Risk-free portfolio	0.00	0.00	0.00	0.00	0.00
Total	**42,993,856.41**	**100.00**	**37,785,594.88**	**–**	**5,208,261.53**

1) Provision for bad debts of receivables by single item

Name	Closing balance Book balance	Provisions for bad debts	Provision ratio (%)	Reason for provision
Xi'an Jiarui Technology Development Co., Ltd.	6,480,000.00	6,480,000.00	100.00	Expected to be unrecoverable
Shaanxi Yijia Haosen Industrial Development Co., Ltd.	1,300,000.00	1,300,000.00	100.00	Expected to be unrecoverable
China Mobile Communications Group Sichuan Co., Ltd.	110,117.65	110,117.65	100.00	Expected to be unrecoverable
Total	**7,890,117.65**	**7,890,117.65**	**–**	**–**

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

1. Accounts receivable *(Continued)*

(1) Accounts receivable presented by provision for bad debts method *(Continued)*

2) Provision for bad debts of receivables by portfolio

By aging portfolio

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	640,152.00	35,208.36	5.50
1-2 years	0.00	0.00	0.00
2-3 years	255,000.05	255,000.05	100.00
Total	**895,152.05**	**290,208.41**	**–**

(2) Accounts receivable presented by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	640,152.00	88,500.00
1-2 years	0.00	255,000.05
2-3 years	255,000.05	0.00
3-4 years	0.00	7,001,843.83
4-5 years	6,480,000.00	2,688,775.51
Over 5 years	1,410,117.65	32,959,737.02
Total	**8,785,269.70**	**42,993,856.41**

(3) Provision for bad debts of receivables of the year

Type	Opening balance	Amount of changes in the year Provision	Recovery or write-back	Write-off or charge-off	Closing balance
Provisions for bad debts	37,785,594.88	290,208.41	1,321,307.92	28,574,169.31	8,180,326.06
Total	**37,785,594.88**	**290,208.41**	**1,321,307.92**	**28,574,169.31**	**8,180,326.06**

In which, the significant amount recovered or written back from the provision for bad debts of the year:

Entity name	Recovered or written back amount	Recovery method	Recovery or write-back reason
China Mobile Communications Group Sichuan Co., Ltd.	907,365.00	Bank transfer	Recovered amount
Xi'an Haitian Wireless System Equipment Co., Ltd.	413,942.92	Third party debt offset	Recovered amount
Total	**1,321,307.92**	**–**	**–**

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

1. Accounts receivable *(Continued)*

(4) Actual charge-off of accounts receivable for the year

Items	Charge-off amount
Trade receivables	28,574,169.31

Note: after the approval of the CEO's office of the Company, the uncollectible payment of the full provision for impairment reduction has been written off.

(5) Accounts receivable of top 5 debtors by closing balance

Entity name	Closing balance	Aging	Proportion to the total closing balance of accounts receivable	Closing balance of provision for bad debts
Xi'an Jiarui Technology Development Co., Ltd.	6,480,000.00	4-5 years	73.76	6,480,000.00
Shaanxi Yijia Haosen Industrial Development Co., Ltd.	1,300,000.00	Over 5 years	14.80	1,300,000.00
Xi'an Ruiyang Communication Technology Co., Ltd.	466,152.00	Within 1 year	5.31	25,638.36
Xi'an Haitian Hi-tech Power Co., Ltd.	255,000.05	2-3 years	2.90	255,000.05
Xi'an Shengjia Communication Equipment Technology Co., Ltd.	174,000.00	Within 1 year	1.98	9,570.00
Total	**8,675,152.05**	**–**	**98.75**	**8,070,208.41**

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

2. Other receivables

Items	Closing book value	Opening book value
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	26,906,006.24	30,615,173.14
Total	**26,906,006.24**	**30,615,173.14**

2.1 Interests receivable

None.

2.2 Dividends receivable

None.

2.3 Other receivables

(1) Other receivables are classified by nature

Nature of fund	Closing balance	Opening balance
Transaction funds	95,907,048.03	92,673,913.48
Provisional deposit	1,179,781.24	1,244,762.07
Deposit	0.00	3,200.00
Others	287,700.00	701,130.09
Total	**97,374,529.27**	**94,623,005.64**

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

2. Other receivables *(Continued)*

2.3 Other receivables *(Continued)*

(2) Other accounts receivable presented by bad debt provision method

Type	Closing balance				
	Book balance		Provisions for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	70,446,048.03	72.35	70,446,048.03	100.00	0.00
Provisions for bad debts by portfolio	26,928,481.24	27.65	22,475.00	0.08	26,906,006.24
Among: Aging portfolio	65,000.00	0.06	22,475.00	34.58	42,525.00
Low-risk portfolio	26,863,481.24	27.59	0.00	0.00	26,863,481.24
Total	**97,374,529.27**	**100.00**	**70,468,523.03**	**–**	**26,906,006.24**

(Continued table)

Type	Opening balance				
	Book balance		Provisions for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	93,514,373.87	98.83	64,007,832.50	68.45	29,506,541.37
Provisions for bad debts by portfolio	1,108,631.77	1.17	0.00	0.00	1,108,631.77
Among: Aging portfolio	20,000.00	0.02	0.00	0.00	20,000.00
Low-risk portfolio	1,088,631.77	1.15	0.00	0.00	1,088,631.77
Total	**94,623,005.64**	**100.00**	**64,007,832.50**	**–**	**30,615,173.14**

1) Provision for bad debts of other receivables by single item

Name	Closing balance			
	Book balance	Provisions for bad debts	Provision ratio (%)	Reason for provision
Xi'an Haitian Wireless System Equipment Co., Ltd.	38,419,410.31	38,419,410.31	100.00	Expected to be unrecoverable
Haitian Antenna (Shanghai) International Trade Co., Ltd.	14,710,234.81	14,710,234.81	100.00	Expected to be unrecoverable
Xi'an Haitian Communication System Engineering Co., Ltd.	11,929,211.10	11,929,211.10	100.00	Expected to be unrecoverable
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	3,828,657.99	3,828,657.99	100.00	Expected to be unrecoverable
Haitian Antenna (Hong Kong) Limited	1,419,533.82	1,419,533.82	100.00	Expected to be unrecoverable
Xi'an New Haitian Communication Co., Ltd.	139,000.00	139,000.00	100.00	Expected to be unrecoverable
Total	**70,446,048.03**	**70,446,048.03**	**–**	**–**

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

2. Other receivables *(Continued)*

2.3 Other receivables *(Continued)*

(2) Other accounts receivable presented by bad debt provision method (Continued)

2) Provision for bad debts of other receivables by portfolio

Aging portfolio

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Within 1 year	45,000.00	2,475.00	5.5
1-2 years	0.00	0.00	0.00
2-3 years	20,000.00	20,000.00	100
Total	**65,000.00**	**22,475.00**	**–**

Other portfolio

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Low-risk portfolio	26,863,481.24	0.00	0.00
Total	**26,863,481.24**	**0.00**	**–**

(3) Other receivables presented by aging

Aging	Closing balance
Within 1 year (including 1 year)	53,145,157.88
1-2 years	2,884,454.90
2-3 years	11,632,124.50
Over 3 years	29,712,791.99
Total	**97,374,529.27**

(4) Provision for bad debts of other receivables

Type	Opening balance	Amount of changes in the year			Closing balance
		Provision	Recovery or write-back	Write-off or charge-off	
Provisions for bad debts	64,007,832.50	7,301,150.92	26,000.00	814,460.39	70,468,523.03
Total	**64,007,832.50**	**7,301,150.92**	**26,000.00**	**814,460.39**	**70,468,523.03**

In this year's bad debt provision, "recovered or reversed" is formed by third party debt repayment by Ren Jiangang.

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

2. Other receivables *(Continued)*

2.3 Other receivables *(Continued)*

(5) Other receivables actually charged off in the year

Items	Charge-off amount
Transaction funds	814,460.39

Note: with the approval of the president's office meeting of the Company, write off the unrecoverable amount for which the impairment provision has been fully accrued.

(6) Other receivables of top 5 debtors by closing balance

Entity name	Nature of fund	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Provisions for bad debts
Xi'an Haitian Wireless System Equipment Co., Ltd.	Related party transactions	38,419,410.31	Over 1-3 years	39.46	38,419,410.31
Suzhou Haitian New Antenna Technologies Co., Ltd.	Related party transactions	25,600,000.00	Within 1 year	26.29	0.00
Haitian Antenna (Shanghai) International Trade Co., Ltd.	Related party transactions	14,710,234.81	Within 1 year	15.11	14,710,234.81
Xi'an Haitian Communication System Engineering Co., Ltd.	Related party transactions	11,929,211.10	Within 1 year	12.25	11,929,211.10
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	Related party transactions	3,828,657.99	Over 0-3 years	3.93	3,828,657.99
Total		**94,487,514.21**		**97.04**	**68,887,514.21**

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

3. Long-term equity investments

(1) Classification of long-term equity investments

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	118,055,568.73	67,597,500.00	50,458,068.73	78,597,500.00	67,597,500.00	11,000,000.00
Investment in associate and joint venture	0.00	0.00	0.00	1,018,248.34	0.00	1,018,248.34
Total	**118,055,568.73**	**67,597,500.00**	**50,458,068.73**	**79,615,748.34**	**67,597,500.00**	**12,018,248.34**

(2) Investment in subsidiaries

Invested entity	Opening balance	Increase of the year	Decrease of the year	Closing balance	Provision for impairment in the year	Closing balance of impairment provision
Xi'an Haitian Communication System Engineering Co., Ltd.	5,000,000.00	0.00	0.00	5,000,000.00	0.00	5,000,000.00
Xi'an Haitian Wireless System Equipment Co., Ltd.	20,000,000.00	0.00	0.00	20,000,000.00	0.00	20,000,000.00
Haitian Antenna (Shanghai) International Trade Co., Ltd.	20,000,000.00	0.00	0.00	20,000,000.00	0.00	20,000,000.00
Xi'an Haitian Marine Technologies Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	10,000,000.00
Xi'an Haitian Automotive Electronic Technologies Co., Ltd.	1,000,000.00	0.00	0.00	1,000,000.00	0.00	1,000,000.00
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	10,000,000.00
Beijing Hailan Taihang Technology Development Co., Ltd.	1,000,000.00	0.00	0.00	1,000,000.00	0.00	0.00
Wuxi Shanshui Haitian Network Technologies Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
Haitian Antenna (Hong Kong) Limited	1,597,500.00	0.00	0.00	1,597,500.00	0.00	1,597,500.00
Suzhou Haitian New Antenna Technologies Co., Ltd.	0.00	39,458,068.73	0.00	39,458,068.73	0.00	0.00
Total	**78,597,500.00**	**39,458,068.73**	**0.00**	**118,055,568.73**	**0.00**	**67,597,500.00**

XVII NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

3. Long-term equity investments *(Continued)*

(3) Investment to associate and joint venture

			Increases/decreases in current year									
Invested entity	Investment costs	Opening balance	Additional investment	Decreased investment	Investment gains and losses recognized under equity method	Adjustment of other comprehensive incomes	Other changes in equity	Change due to consolidation scope	Declared payment of cash dividends or profits	Provision for impairment	Closing balance	Closing balance of impairment provision
Associate:												
Suzhou Haitian New Antenna Technologies Co., Ltd.	6,000,000.00	1,018,248.34	4,500,000.00	0.00	−1,039,916.57	0.00	0.00	−4,478,331.77	0.00	0.00	0.00	0.00
Total	**6,000,000.00**	**1,018,248.34**	**4,500,000.00**	**0.00**	**−1,039,916.57**	**0.00**	**0.00**	**−4,478,331.77**	**0.00**	**0.00**	**0.00**	**0.00**

Additional investment cost in the current period of RMB4,500,000.00 represents the contractual investment amount paid by the Company under the investment agreement.

As approved by the shareholders of the Company on December 9, 2019, 166,570,176 domestic shares were issued at RMB0.21 per share to acquire 91.43% equity of its associated company Suzhou Haitian New Antenna Technologies Co., Ltd. The issuance of the domestic shares has been completed on December 20, 2019. So far, Suzhou Haitian New Antenna Technologies Co., Ltd. has become a wholly-owned subsidiary of the Group and no longer uses the equity method for accounting. As a result, the Company transferred the investment gain and loss under the equity method to the cost of long-term equity investment.

4. Operating incomes, operating costs

(1) Operating incomes and operating costs

	Amount in current year		Amount in last year	
Items	Incomes	Costs	Incomes	Costs
Main business	1,867,328.81	1,796,402.59	0.00	0.00
Other businesses	412,268.01	151,000.00	270,007.39	67,178.67
Total	**2,279,596.82**	**1,947,402.59**	**270,007.39**	**67,178.67**

5. Investment incomes

Items	Amount incurred in current year	Amount incurred in last year
Long-term equity investment incomes accounted in equity method	(1,039,916.57)	(481,751.66)
Total	**(1,039,916.57)**	**(481,751.66)**

XVIII APPROVAL OF FINANCIAL REPORT

The Group's financial statements for 2019 have been approved and submitted by the board of directors of the Company.

Supplemental information to the financial statements

1. Detailed statement of non-recurring gains and losses for the year

Items	Amount of the year	Notice
Gains and losses from disposal of non-current assets	(30,917.50)	
Government subsidies that are included in current gains or losses (except those closely related to the enterprise's business and enjoyed in accordance with the national unified standard quota or quantitative amount)	70,000.00	
Incomes generated when the investment cost for the company to acquire the subsidiary, associate and joint venture is less than the fair value share of the identifiable net assets of the investee when the investment is acquired	(115,256.98)	
Write-back of provision for impairment of receivables and contractual assets subject to separate impairment test	1,499,289.76	
Other non-operating income and expenses other than the above	4,084,424.78	
Sub-total	5,507,540.06	
Less: Income tax impact	1,297,387.32	
Impact on minority interests (after-tax)	0.00	
Total	**4,210,152.74**	

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	EPS (RMB/share) Basic EPS	EPS (RMB/share) Diluted EPS
Net profits attributable to the ordinary shareholders of the parent company	(166.06)	(0.0158)	(0.0158)
Net profits attributable to the ordinary shareholders of the parent company after deduction of non-recurring gains and losses	(194.90)	(0.0186)	(0.0186)

XVIII APPROVAL OF FINANCIAL REPORT *(Continued)*

Supplemental information to the financial statements *(Continued)*

3. Differences in accounting data under domestic and foreign accounting standards

Difference of net profits and net assets in financial statements disclosed in accordance with Hong Kong Financial Reporting Standards (HKFRS) and Accounting Standards for Business Enterprises (ASBE):

Items	Net profits		Net assets	
	Amount incurred in current year	Amount incurred in last year	Closing balance	Opening balance
As per Hong Kong Financial Reporting Standards	(24,097,943.46)	(40,967,596.21)	37,593,974.41	26,712,180.91
As per ASBE	(24,097,943.46)	(40,967,596.21)	37,593,974.41	26,712,180.91
Differences	**0.00**	**0.00**	**0.00**	**0.00**

The details of net assets are as follows:

	Shareholders' equity							
Items	Capital stock	Share premium	Statutory provident fund reserve	Other reserves	Accumulative losses	Sub-total	Non-controlling interests	Total
On January 1, 2018	153,105,882.40	115,390,048.00	16,153,229.73	15,856,279.00	(235,651,547.00)	64,853,892.13	2,825,884.99	67,679,777.12
Total loss and comprehensive expenditures of the year	0.00	0.00	0.00	0.00	(41,080,399.03)	(41,080,399.03)	112,802.82	(40,967,596.21)
On December 31, 2018 (as presented before)	**153,105,882.40**	**115,390,048.00**	**16,153,229.73**	**15,856,279.00**	**(276,731,946.03)**	**23,773,493.10**	**2,938,687.81**	**26,712,180.91**
Changes in accounting standards	0.00	26,856,278.91	282,589.61	(15,856,279.00)	(11,282,589.52)	0.00	0.00	0.00
On January 1, 2019 (restated)	153,105,882.40	142,246,326.91	16,435,819.34	0.00	(288,014,535.55)	23,773,493.10	2,938,687.81	26,712,180.91
Issuance of shares	16,657,017.60	18,322,719.36	0.00	0.00	0.00	34,979,736.96	0.00	34,979,736.96
Total loss and comprehensive expenditures of the year	0.00	0.00	0.00	0.00	(24,235,186.54)	(24,235,186.54)	137,243.08	(24,097,943.46)
On December 31, 2019	**169,762,900.00**	**160,569,046.27**	**16,435,819.34**	**0.00**	**(312,249,722.09)**	**34,518,043.52**	**3,075,930.89**	**37,593,974.41**

XVIII APPROVAL OF FINANCIAL REPORT *(Continued)*

Supplemental information to the financial statements *(Continued)*

4. Comparison of financial statements on conversion date

The Company has been subject to CASBE since January 1, 2019. The comparison between HKFRS and CASBE on the conversion date is as follows:

CASBE Items	January 1, 2019	HKFRS Items	December 31, 2018	Differences	Reason for difference
Monetary capitals	6,893,833.34	Bank balance and cash	6,893,833.00	0.34	Mantissa error
Financial assets at fair value through profit or loss	16,357,612.88	Financial assets at fair value through profit or loss/held-for-trading investments	16,357,613.00	(0.12)	Mantissa error
		Trade receivables	937,317.00	11,000.44	Differences caused by different accounting subjects in mainland China and Hong Kong
Accounts receivable	948,317.44	Receivables from a related party	11,000.00	(11,000.00)	
Advance payments	1,548,753.82	Receivables from a director and supervisor	805,812.00	742,941.82	
Other receivables	1,722,316.16	Other receivables and advance payments	3,364,977.00	(1,642,660.84)	
Other current assets	763,073.16			763,073.16	
Inventories	2,638,478.91	Inventories	2,638,479.00	(0.09)	Mantissa error
Total current assets	**30,872,385.71**	**Total current assets**	31,009,031.00	(136,645.29)	
Long-term equity investments	1,018,248.34	Equities in associated companies	1,018,248.00	0.34	Mantissa error
Fixed assets	6,712,473.87	Plant and equipment	9,903,207.00	(3,190,733.13)	Differences caused by different accounting subjects in mainland China and Hong Kong
Projects under construction	100,000.00	Advance payments	225,790.00	(125,790.00)	
Intangible assets	92,625.30			92,625.30	
Long-term unamortized expenses	3,360,543.51			3,360,543.51	
Other non-current assets	18,546,006.75	Amount paid for acquiring non-current assets	18,546,000.00	6.75	
Total non-current assets	**29,829,897.77**	**Total non-current assets**	**29,693,245.00**	**136,652.77**	

XVIII APPROVAL OF FINANCIAL REPORT *(Continued)*

Supplemental information to the financial statements *(Continued)*

4. Comparison of financial statements on conversion date *(Continued)*

CASBE Items	January 1, 2019	HKFRS Items	December 31, 2018	Differences	Reason for difference
Total assets	**60,702,283.48**	**Total assets**	**60,702,276.00**	**7.48**	
Accounts payable	7,858,713.44	Trade payables	7,858,713.00	0.44	Mantissa error
Advance receipts	20,817.90	Contractual liabilities	20,818.00	(0.10)	Mantissa error
Payroll payable	3,787,254.52	Other payables and accrued expenses	9,010,565.00	(5,223,310.48)	Differences caused by different accounting subjects in mainland China and Hong Kong
Taxes payable	2,213,840.23			2,213,840.23	
Other payables	5,409,476.48	Payable to related parties	1,000,000.00	4,409,476.48	
Other current liabilities	14,700,000.00	Payable to shareholders	16,100,000.00	(1,400,000.00)	
Total current liabilities	**33,990,102.57**	**Total current liabilities**	**33,990,096.00**	**6.57**	**Mantissa error**
Total liabilities	**33,990,102.57**		**33,990,096.00**	**6.57**	**Mantissa error**
Paid-up capitals	153,105,882.40	Capital stock	153,105,882.00	0.40	Mantissa error
Capital reserves	142,246,326.91			142,246,326.91	Differences caused by different accounting subjects in mainland China and Hong Kong
Surplus reserves	16,435,819.34			16,435,819.34	
Undistributed profits	(288,014,535.55)	Reserves	(129,332,390.00)	(158,682,145.55)	
Total shareholders' equities	**23,773,493.10**	**Total equity**	**23,773,492.00**	**1.10**	**Mantissa error**
***Minority equity**	**2,938,687.81**	**Non-controlling equity**	**2,938,688.00**	**(0.19)**	**Mantissa error**
Total shareholders' equities	**26,712,180.91**	**Total equity**	**26,712,180.00**	**0.91**	**Mantissa error**
Total liabilities and shareholders' equities	**60,702,283.48**				

Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Total assets	**125,437,971.66**	60,702,283.48	89,475,586.66	124,072,968.20	119,162,228.04
Total liabilities	**87,728,740.27**	33,990,102.57	21,795,809.54	39,639,192.68	45,726,456.89
Total shareholders'equity	**37,709,231.39**	26,712,180.91	67,679,777.12	84,433,775.52	73,435,771.15

CONSOLIDATED INCOME STATEMENT

	For the year of 2019	For the year of 2018	For the year of 2017	For the year of 2016	For the year of 2015
Operating revenue	**39,163,021.88**	44,455,522.46	60,212,890.81	38,343,495.72	23,975,092.51
Net profit ("–" for net loss)	**(24,097,943.46)**	(40,967,596.21)	(16,753,998.40)	(37,656,283.63)	(21,914,298.37)