



西安海天天线科技股份有限公司
Xi'an Haitian Antenna Technologies Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8227)

2021
ANNUAL REPORT

* for identification purposes only

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Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

No.25 Shuoshi Road
Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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23 Thomson Road, Wanchai
Hong Kong

GEM STOCK CODE

8227

WEBSITE

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LEGAL ADVISERS AS TO HONG KONG LAW

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Rooms 2206-19, Jardine House
1 Connaught Place, Central
Hong Kong

AUDITOR

ShineWing Certified Public Accountants LLP
9/F, Block A, Fu Hua Mansion
No.8 Chaoyangmen Beidajie
Dongcheng District, Beijing, The PRC

COMPANY SECRETARY

Mr. Lun Ka Chun (倫家俊先生)

MEMBERS OF AUDIT COMMITTEE

Professor Shi Ping (師萍教授) (Chairman)
Mr. Liu Lidong (劉立東先生)
Mr. Xu Xiong (徐雄先生)

MEMBERS OF NOMINATION COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

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

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE

Mr. Lun Ka Chun (倫家俊先生)

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank

No.42 Gao Xin Lu
Gaoxin District
Xi'an, Shaanxi Province, The PRC

Bank of Ningxia

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

Changshu Rural Commercial Bank

No.222 Dongnan Avenue
Hi-tech Industrial Development Zone
Changshu, Jaingsu Province, The PRC

ZheShang Bank

Building 23, Fengyun Lanwan Community
No.259 Ke Ji Lu, Yanta District
Xi'an, Shaanxi Province, The PRC

Bank of Communication

Chuang Ye Plaza
No. 48 Ke Ji Lu
Gaoxin District
Xi'an, Shaanxi Province, The PRC

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 2021 on behalf of the board of Directors (the "Board").

Last year has been a year for the Group's mobile communication business to vigorously expand the market and seize future opportunities for development and competition. In the year, the Group analysed the market environment objectively, conscientiously summed up marketing experience, and continuously enhanced the ability of market information collection and analysis to lay the foundation for the Group to accurately grasp market opportunities, carry out sound marketing works and enhance in-depth communication with customers. Meanwhile, in order to strengthen market development, the Group has also increased research and development and capital investment. While consistently optimising the performance of antenna products, the Group developed more models of lens antenna products to secure rapid development of the mobile communication business.

In 2021, with the direction of the overall goals of comprehensive market development and improvement of sales performance, the Group has further enhanced technology exchanges and cooperation with three main operators and relevant non-operator customers. Currently, the Group has completed technology exchanges and trial network tests with 37 provincial branches of China Mobile, China Telecom and China Unicom respectively. The Group has also commenced more extensive and in-depth exchanges and cooperation with various provincial, municipal and regional operators and non-operator customers such as mobile communication suppliers of equipment and system integration. In respect of research and development, on one hand, the Group has carried out full upgrade of network coverage optimisation software to improve accuracy and efficiency in extracting test result data, testing and comparing antenna performance, and enhancing antenna test efficiency. At the same time, the Group has carried out in-depth development of single and multi-beam new lens antenna product series with different ports based on market demand to meet customers' flexible configuration needs in different environments. On the other hand, in order to improve its core competitiveness in the mobile communication business, the Group has commenced research and development and reserve of derivatives such as lens small base stations and lens Wi-Fi to help the Group further expand the communication market.

Meanwhile, the Group has been steadily developing the agricultural products and by-products business segment. In 2021, the results of the agricultural products and by-products segment realised doubled growth as compared to last year. To continue enhancing the performance of this segment, the Group will continuously fully utilise the poverty alleviation policies and resources, expand the customer base on top of its currently stable customer base, consistently enrich the types of agricultural products offerings, and increase external cooperation.

Furthermore, with the Group's business development, the Group's daily working capital needs has significantly increased. To cope with such needs, the Group has carried out an additional issuance of domestic shares in 2021. The additional issuance will alleviate the Group's working capital pressure and facilitate the Group's steady development. With the expansion of market shares of the communication business and according to the overall strategic planning, the Group will also meet its capital needs for business operation with financing channels, including timely additional share issuance, bank borrowings and revitalisation of existing assets, enhance the Group's product research and development structure, and upgrade the Group's overall strength.

On behalf of the Board, I would like to express heartfelt gratitude to all customers, business partners and staff who are closely-related to the Group, and express my sincere thanks to our shareholders for their strong enduring support since our listing. 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
24 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

Total Operating Income

Total operating income recorded for the year ended 31 December 2021 was approximately RMB39.07 million, representing a significant increase of approximately 221% from approximately RMB12.18 million for the year of 2020.

Although the overall economy was still affected by COVID-19 in 2021 so that certain business activities such as product exhibitions and marketing events were postponed or cancelled, the Group adopted a series of business plans to minimise the impact on operations with an effective cost control arrangement. The significant increase in total operating income was mainly attributable to successful development of artificial dielectric lens antenna products (the "Dielectric Lens Antennas") under the operating segment of sales of antenna products and provision of related services.

Details of operations of 4 reportable and operating segments of the Group, namely, sales of antenna products and provision of related services, sales of agricultural products, sales of underwater monitoring and related products, and sales of aircraft products, are as follows:

Sales of antenna products and provision of related services

The Group introduced the Dielectric Lens Antennas into the mobile communication market since 2019 and successful obtained 6 invention patents and 17 utility patents by the end of 2020. With the characteristics of low energy consumption, large capacity, small size, and lower construction and maintenance costs, together with a series of network field tests in different provinces across the country demonstrating the unique performance in past years, the Dielectric Lens Antennas have been recognised and praised by major communication network operators, and mobile communication suppliers of system integration and system equipment.

Although procurement activities for the Dielectric Lens Antennas of major communication network operators, and mobile communication suppliers of system integration and system equipment were delayed or postponed due to the influence of COVID-19 during the year, the Group still actively participated in various technology exchanges and business communications through continuous conducting network field tests and product demonstration in different scenarios in order to further develop the mobile communication market and diversify the application of the Dielectric Lens Antennas to different industries. Based on customer feedback on and understandings of market needs of the Dielectric Lens Antennas, the Group improved product performance, enriched product categories and broadened customer base.

To cope with development of the Dielectric Lens Antennas, sales force and production capacity of the operating segment of sales of antenna products and provision of related services were expanded by available resources of other operating segments. Accordingly, the operating income from the operating segment of sales of antenna products and provision of related services increased from approximately RMB2.80 million for last year to approximately RMB21.73 million for the year, representing a significant increase of approximately 676%. The sales of the Dielectric Lens Antennas accounted for approximately 57% of the main business operating income of the Group and the total unit of the Dielectric Lens Antennas sold during the year was amounted to approximately 4.5 thousand units.

Sales of agricultural products

The operating segment of sales of agricultural products, mainly for live chicken, chicken meat and related non-staple foods, was established since 2016 in order to actively respond to the national policy on poverty alleviation and fulfil social responsibilities of the Group. In addition to establishing social image of the Group, through well-established market channels and cooperation with other market stakeholders, the sales of agricultural products gradually became stable income to the Group. Although the prices of agricultural products were very sensitive to the market environment including weather, holidays and COVID-19, a prudent planning with careful market prediction was adopted by the Group during the year to minimise operating risks.

The operating income from the operating segment of sales of agricultural products increased from approximately RMB5.27 million for last year to approximately RMB16.19 million for the year, representing an increase of approximately 207%. The sales of agricultural products accounted for approximately 42% of the main business operating income of the Group, and the total weight of live chicken and chicken meat, and non-staple foods sold during the year was amounted to approximately 586 tons and 363 tons respectively.

Sales of underwater monitoring and related products and Sales of aircraft products

With the widespread use of 5G technologies, the requirements of markets and customers for communication technologies of underwater monitoring products and aircraft products began to change and were constantly updated. The Group concentrated resources on monitoring their market development and improving technology requirement of the relevant products, and continuously maintained communication with their industries. Other available resources were allocated to the operating segment of sales of antenna products and provision of related services to meet the gradually increasing production scale of the Dielectric Lens Antennas.

Except for technology research, development and improvement, both operating segments still provided after-sales technical support and services to existing customers during the year. Therefore, less than 1% of the main business operating income of the Group was generated from the operating segment of sales of underwater monitoring and related products, and the operating segment of sales of aircraft products had no income.

Other business

Other business operating income included approximately RMB0.23 million of rental income generated from office premises occupied by the Group and approximately RMB0.86 million of sales of raw materials during the year.

Gross Profit

Gross profit of approximately RMB12.49 million was recorded for the year with gross profit margin of approximately 31.96%, representing an increase of 8.58% as when comparing to gross profit margin of approximately 23.38% of 2020. The improvement in gross profit margin reflected the benefits from economies of scale in production of the Dielectric Lens Antennas.

Segment Performance

Segment performance was evaluated after considering gross profit, selling expenses, depreciation and amortisation expenses under administrative expenses, research and development expenses, credit and assets impairment loss of each operating segment.

Management Discussion and Analysis

Selling expenses increased from approximately RMB0.88 million for last year to approximately RMB5.21 million for the year, representing a significant increase of approximately 494%, which was mainly attributable to an increase in payroll after sales force expansion by approximately RMB1.39 million, an increase in expenses for procurement activities by approximately RMB1.65 million, an increase in technical service fees by approximately RMB0.70 million, and an increase in delivery charges by approximately RMB0.19 million.

Amortisation of approximately RMB8.00 million was recognised for the patents of the Dielectric Lens Antennas during the year. The patents were amortised over the estimated useful lives and there was no indication of significant change of their useful lives as the widespread use of 5G communication continued to support their value to the Group.

Research and development expenses were approximately RMB6.15 million for the Dielectric Lens Antennas during the year, which were mainly for further improvement and advance work on existing antenna products after considering the feedback from markets and customers. There were no material changes in the components of research and development expenses.

After careful assessment on the credit status of receivables with proper procedures for collection, impairment losses of approximately RMB0.64 million and approximately RMB0.29 million were provided for long outstanding accounts receivable and other receivables respectively. On the contrary, approximately RMB0.26 million was received from impaired debts during the year.

In respect of inventories of the operating segments of sales of underwater monitoring and related products, and sales of aircraft products, an impairment loss of approximately RMB0.99 million was provided for idle raw materials and finished goods due to advancement of communication technologies.

Segment profit of approximately RMB0.16 million was reported for the operating segment of sales of agricultural products. Segment losses of approximately RMB1.02 million and approximately RMB1.42 million were reported for the operating segments of sales of underwater monitoring and related products and sales of aircraft products respectively due to the Group did not carry out marketing and promotion activities during the year. Segment loss of approximately RMB7.11 million was reported for the operating segment of sales of antenna products and provision of related services as the production scale was still below the normal operating level of enlarged production capacity. The production capacity was not fully utilised because further delay and time lag of procurement activities for the Dielectric Lens Antennas by major communication network operators.

Other Expenses, Expenditure, Gain and Income

Administrative expenses decreased from approximately RMB28.65 million for last year to approximately RMB22.84 million for the year, representing a decrease of approximately 20%, through an effective cost control on the overall administrative expenses. The relevant expenses in respect of rented office decreased by approximately of RMB3.24 million as a result of deployment of resources within the Group.

Total staff costs of the Group increased from approximately RMB13.11 million for last year to approximately RMB15.00 million for the year as the additional sales force was required for market development of the Dielectric Lens Antennas.

Financial expenses for the year were approximately RMB0.16 million, representing approximately 56% of that for last year. Approximately RMB0.57 million was accounted for exchange gain from depreciation of Hong Kong dollars and approximately RMB0.61 million was attributable to interest expenses for short-term borrowings. In order to meet the working capital requirement for enlarged production scale of the Dielectric Lens Antennas, the procedures for issuance of new shares were initiated but were not finalised during the year. Therefore, approximately RMB8.50 million short-term bank borrowings were raised to finance the operations by the end of 2021.

Approximately RMB0.73 million was received from government authorities as grants, subsidies and rewards for product development and business operations.

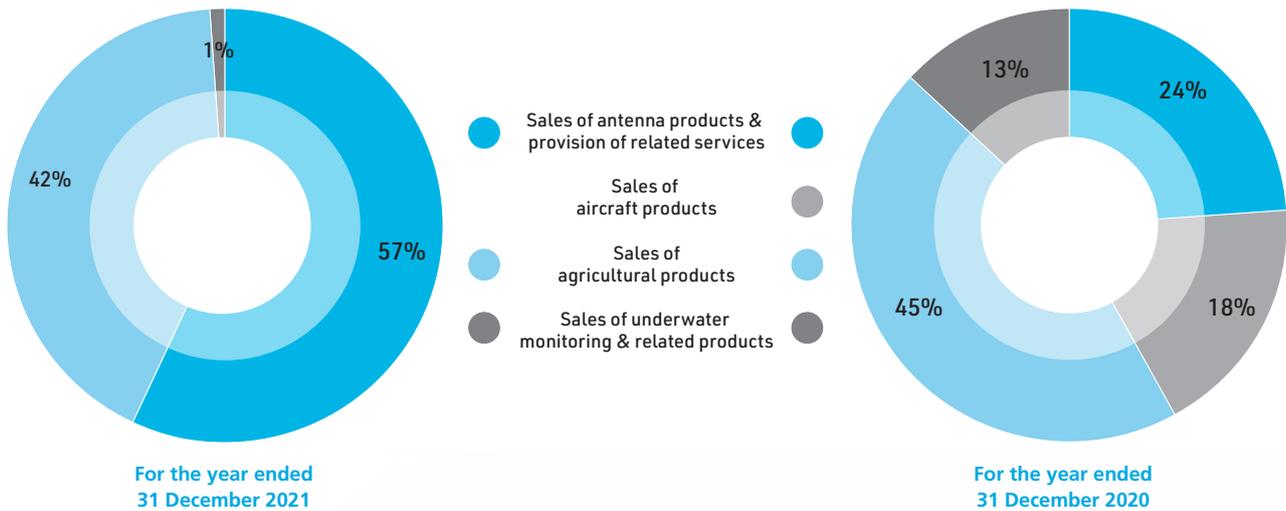
Approximately RMB0.27 million was recorded as investment gain from disposal of financial assets measured at fair value through profit or loss. Details of financial assets measured at fair value through profit or loss are disclosed in the paragraph of "Significant Investment Held".

Net Loss

As the total operating income increased by approximately RMB26.89 million and the total operating costs increased by approximately RMB17.25 million during the year, the net loss decreased from approximately RMB34.54 million for last year to approximately RMB22.67 million for the year. The improvement was mainly attributable to higher gross profit margin from economies of scale in the production of the Dielectric Lens Antennas.

Net loss attributable to owners of the parent company was approximately RMB22.66 million after accounting for minority shareholders' profit and loss in respect of sales of agricultural products.

Composite of the Group's main business income by reportable and operating segments for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, are as follows:



Management Discussion and Analysis

PROSPECTS

In 2022, the Group will continue to accelerate market development leveraging its advantages in the communication business. Facing the currently complicated and ever-changing market environment, the Group will insist on independent innovation, raising the standards of new products and technology, focusing on product research and development and upgrade, and enhance its corporate competitiveness. Meanwhile, the Group will further develop the market and maintain the channels to expand the Group's customer base and improve the Group's performance.

In the future, the Group will continue to be market-oriented and, with "lens" as its focus of application and development, further enhance research and development, consistently improve users' satisfaction, and increase product competitiveness. While keeping its core competitive advantages, the Group will extensively collect the needs of the market and customers, more proactively participate in activities such as bidding, centralised procurement and provincial procurement in respect of lens antenna projects of mobile communication operators. At the same time, the Group will further expand and enhance its exchanges and cooperation with non-operator customers such as relevant mobile communication suppliers of system integration and system equipment to comprehensively increase the Group's core competitiveness in the mobile communication business.

In March 2021, Yang Xiaowei, Deputy Director of the Cyberspace Administration of China (國家互聯網信息辦), said at a press conference that the "14th Five-Year" National Informatisation Plan (《“十四五”國家信息化規劃》) was being developed, the optimisation and upgrade of information infrastructure and large-scale deployment of 5G networks were being accelerated, and 6G network technology reserve was being laid out prospectively. With the further large-scale rollout of 5G new infrastructure in the PRC, the 5G business has been gradually extending and expanding to different vertical industries, and all 5G+ industries had seen comprehensive fusion application. Therefore, the Group will follow the direction of national policies, increasing its efforts in research and development, to fully utilise new artificial Dielectric Lens Antenna's advantages of high gain, small inter-beam interference, ultra-long-distance coverage, large capacity, environmentally friendliness, cost reduction and efficiency enhancement. The Group will further explore the market and applications of lens material in different industries and scenarios such as smart Internet of Things, Internet of Vehicles, remote sensing and satellite communication, and carry out in-depth research and development in various communication derivatives such as lens small base stations and lens Wi-Fi in order to realise industrial extension and upgrade of the Group's main business development areas, and create a diversified communication product cluster with core industrial competitiveness.

Adhering to the principles of communication-based and diversified development, the Group will continue to strengthen the development of its agricultural products and by-products business, expand sales and improve the performance of the agricultural products and by-products business. Meanwhile, the Group will also steadily carry out the businesses of underwater monitoring and other segments to raise the Group overall efficiency.

With regard to the capital required for future development of the Group, in addition to bank borrowings and revitalisation of existing assets, the Group will also carry out financing when appropriate through additional issuance of new shares and issuance of bonds. The Board and the management of the Group will strive to turn the Group into a high-tech enterprise with diversified operations and development.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2021, sales to the top five customers and the largest customer accounted for approximately 54.52% (2020: 73.45%) and 16.10% (2020: 19.87%) respectively of the Group's main business income.

For the year ended 31 December 2021, purchases from the top five suppliers and the largest supplier accounted for approximately 87.80% (2020: 77.37%) and 29.16% (2020: 37.72%) respectively of the Group's total purchases.

During the year ended 31 December 2021, 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, 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 2021, the Group had the short-term borrowings of approximately RMB8.50 million which were repayable within one year, and the lease liabilities of approximately RMB7.60 million which were classified in accordance with the lease terms.

During the year, the interest-bearing borrowings borne interest rates of ranging from 1% to 6% 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.2 to the financial statements, the Directors consider that exposure to interest rate risk and foreign exchange risk was minimal.

As at 31 December 2021, the gearing ratio of the Group was approximately 81.87% (2020: 28.50%), which is calculated based on the sum of total interest-bearing borrowings and lease liabilities over the total shareholders' equity attributable to the parent 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.24 to the financial statements.

Cash and cash equivalents increased approximately from RMB2.07 million to RMB4.19 million. As at 31 December 2021, bank deposits of approximately RMB0.18 million were regarded as margin account and suspended account funds for 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.2 to the financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

Management Discussion and Analysis

SIGNIFICANT INVESTMENT HELD

Except for interests in subsidiaries and financial assets measured at fair value through profit or loss disclosed in notes VIII.1 and VI.2 to the financial statements respectively, the Group did not hold any significant investment for the year ended 31 December 2021.

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

As at 1 January 2021, an aggregate of 880,004 ordinary shares of nominal value of RMB1 each in the issued share capital (“Cloud Live Shares”) 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 0.10% of the total issued share capital of Cloud Live, and the fair value of 880,004 Cloud Live Shares was approximately RMB2.33 million, representing approximately 2.20% of total assets of the Group.

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. Mr. Chen Ji, an executive Director, is the directors of Cloud Live, and Mr. Chen Ji and his associates directly and indirectly held approximately 22.68% of the total issued share capital of Cloud Live without controlling interest.

In order to cope with the Company’s strategy in the capital market development and revitalisation of existing assets and considering the financial performance of Cloud Live, all of 880,004 Cloud Live Shares was sold at approximately RMB2.60 million during the year. After accounting for the original acquisition costs and unrealised loss of fair value changes, an investment gain of approximately RMB0.27 million was reported. The sales proceeds were used for operation purposes in order to minimise financial expenses from interest-bearing borrowings for the year.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraph headed “Significant Investment Held” above, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and affiliated companies during the year ended 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 125 (2020: 92) full-time employees. Total staff costs for the year of 2021 amounted to approximately RMB15.00 million (2020: RMB13.11 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.5 to the financial statements.

CHARGES ON GROUP ASSETS

As at 31 December 2021, except for bank deposits of approximately RMB0.18 million regarded as margin account and suspended account funds, no other assets of the Group were pledged for its operations and liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2021, 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 2021, except for those disclosed in note XIII to the 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 2021, there was no utilisation of net proceeds from equity fund raising activities.

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of the Company is always committed to maintaining high standards of corporate governance. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 December 2021.

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 2021, 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, Mr. Yan Weimin and Mr. Xu Xiong as non-executive Directors, and Mr. Zhang Jun, Professor Shi Ping, Mr. Tu Jijun and Mr. Liu Lidong 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 2021, 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 2021, 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 2021, the Board held 14 meetings.

Details of Directors’ attendance records in 2021:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Xiao Bing	14/14	1/1
Mr. Chen Ji	14/14	1/1
Non-Executive Directors		
Mr. Sun Wenguo	14/14	0/1
Mr. Li Wenqi	14/14	1/1
Mr. Zuo Hong	14/14	1/1
Mr. Yan Weimin	14/14	1/1
Mr. Xu Xiong	14/14	1/1
Independent Non-Executive Directors		
Mr. Zhang Jun	14/14	1/1
Professor Shi Ping	14/14	1/1
Mr. Tu Jijun	14/14	1/1
Mr. Liu Lidong (appointed on 10 May 2021)	9/9	0/1
Professor Lei Zhenya (resigned on 10 May 2021)	4/5	0/0

Corporate Governance Report

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 2021 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	✓
Mr. Yan Weimin	✓
Mr. Xu Xiong	✓
Independent Non-Executive Directors	
Mr. Zhang Jun	✓
Professor Shi Ping	✓
Mr. Tu Jijun	✓
Mr. Liu Lidong (appointed on 10 May 2021)	✓
Professor Lei Zhenya (resigned on 10 May 2021)	✓

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 1 meeting in 2021 and was attended by committee members. The individual attendance record of each member is as follows:

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

During the financial year ended 2021, 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.

Corporate Governance Report

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 1 meeting in 2021 and was attended by committee members for the selection and recommendation of candidates for directorship having regard to the relevance of skills and experience appropriate to the Group's business. The individual attendance record of each member is as follows:

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

During the financial year ended 2021, 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.

Following resignation of an independent non-executive Director, Professor Lei Zhenya, on 10 May 2021, the Nomination Committee reviewed all appropriate candidates and recommended Mr. Liu Lidong to fill a casual vacancy until next 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 Mr. Liu Lidong and Mr. Xu Xiong, 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 9 meetings in 2021 discussing the Group's annual results for 2020, quarterly results for 2021, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Xu Xiong	9/9
Independent Non-Executive Directors	
Professor Shi Ping	9/9
Mr. Liu Lidong (appointed on 10 May 2021)	7/7
Professor Lei Zhenya (resigned on 10 May 2021)	2/2

During the financial year ended 2021, 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 2021.

AUDITOR'S REMUNERATION

During 2021, the fees paid and payable to the external auditor for audit services and other services amounted to RMB0.62 million and RMB0.03 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 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 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 2021, there were no changes in the Company's articles of association.

Environmental, Social and Governance Report

ABOUT HAITIAN ANTENNA

Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company", or together with its subsidiaries, the "Group" or "we") has been concentrating on the development of mobile communication products and services while developing various types of marine engineering, aviation and other equipment. The Group was established in October 1999, owns more than 40 patented technologies, 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 has built up a complete operating system that integrates product development, production, sales, installation and services, and fully understands the importance of independent R&D and innovation. The Group's innovative efforts and achievements in this area have been highly recognised by the State, as such the Group has undertaken a number of key scientific research projects for various government agencies by virtue of our industry leading technology, which earned us the title as one of the first "Innovative Enterprises" certified in China and its shares listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2003 to meet the needs for future development.

Reporting Principles and Scope

This Environmental, Social and Governance Report (the "Report" or "ESG 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 performance, risks, strategies, measures and commitment of the Group's business operations in Hong Kong and the PRC in four areas, namely, work environment quality, environmental protection, operation practices and community involvement during the Reporting Period of the year ended 31 December 2021 ("Reporting Period").

For the Group's corporate governance structure and other relevant information, please refer to the corporate governance report on pages 12 to 18 of this annual report.

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

Outlook of The Group

For the Group, 2021 is no doubt a year of tough challenges. In 2021, Xi'an, the Group's key business location, implemented lockdown measures due to the outbreak of the new coronavirus disease ("COVID-19"). In the face of the impact of various pandemic prevention measures, the Group still managed to face the challenges with an unrelenting attitude. All of our staff work together and insist on fulfilling their duties. In the meantime, we will also actively support the national pandemic prevention measures to ensure that our business operations would not be suspended.

Given that the environment and market layout around us are constantly changing, we firmly believe that taking sustainable development as our strategic goal is the only way out. We are committed to complying with all the applicable laws, regulations and standards, and operating under the principle of corporate sustainability and in an ethical, honest and transparent manner.

Environmental, Social and Governance Report

In the future, we expect to invest more manpower and resources in sustainable development, including resources efficiency and carbon reduction, to protect our planet. We will create a humanized and high-quality working environment for employees and ensure product safety and quality in the production process.

Meanwhile, we will also continue to communicate closely and effectively with our stakeholders, e.g. customers, employees, communities, suppliers, business partners, investors and regulatory authorities, listen to their opinions on the development of society and environment. We can only achieve our sustainable development and operation with the trust of our stakeholders.

In the coming year, we will continue to work with all sectors of the society to combat the epidemic. With sustainable development governance as our strategic goal, we will embrace new challenges and opportunities, and cut through the wind and waves.

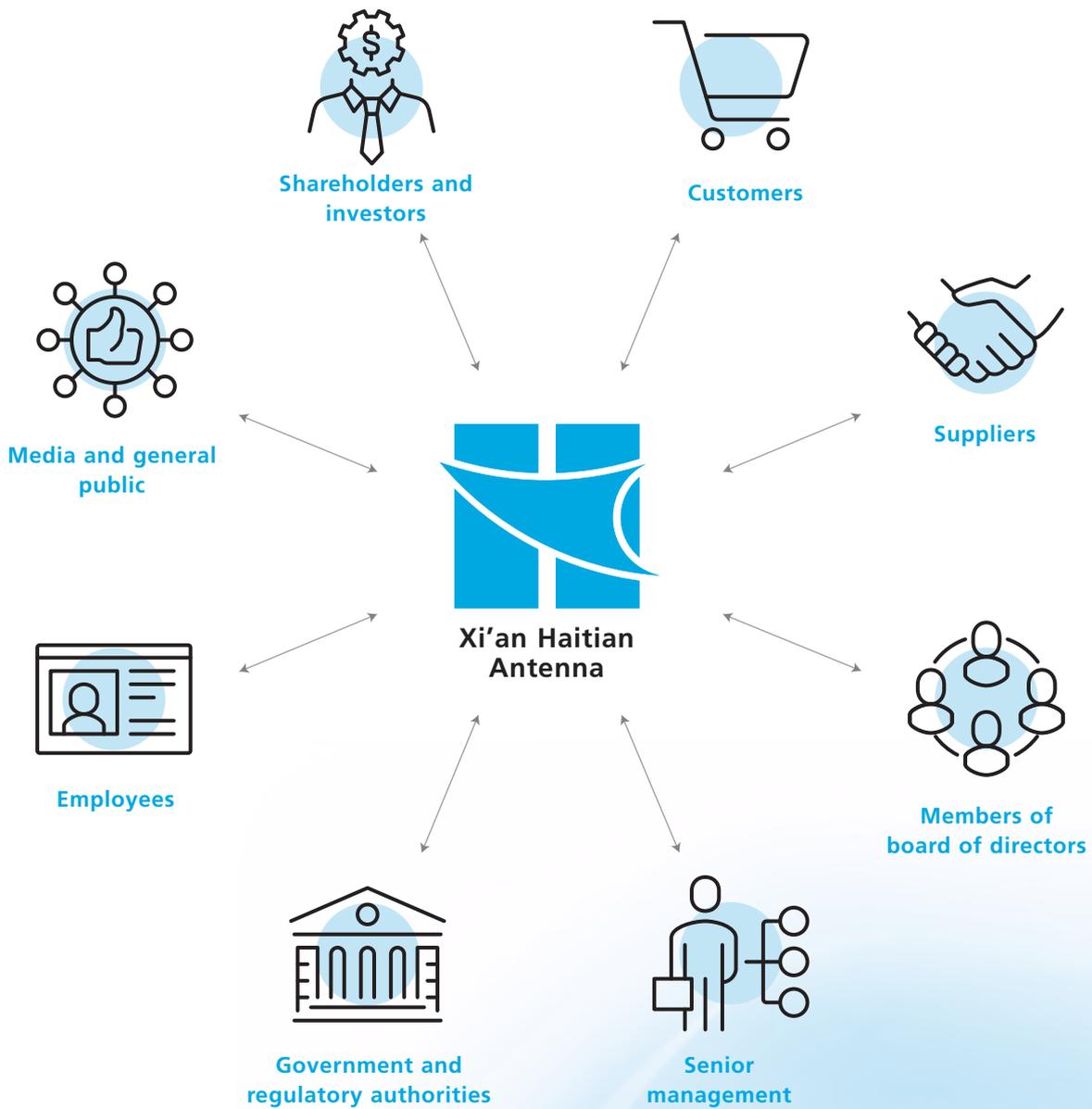
Reporting Principles

In preparing this Report, the Group adheres to the reporting principles outlined in the ESG Reporting Guide:

Reporting principles	Interpretation
Materiality	Identify important environmental and social issues by analyzing the opinions of stakeholders of the Group, and prioritize and disclose important issues in the Report.
Quantitative	Environmental and social key performance indicators data is collected to monitor and evaluate our progress in implementing environmental and social responsibility initiatives.
Balance	The ESG Report presents an impartial report on the Group's environmental, social and governance performance.
Consistency	The Group uses consistent methodologies to allow for meaningful comparisons of ESG data over time. Any changes in the methodologies and reporting scope are explained in remarks for stakeholders' reference.

Stakeholder Engagement

The success of the Group's business depends on the support and advice of all our management, employees, customers and other relevant stakeholders. By absorbing their valuable opinions, we can make progress and operate our business in a sustainable manner. The Group actively opens communication channels to understand stakeholders' concerns about the Company and to effectively improve relevant policies. After our communication with the stakeholders, their main issues of concern of are listed below:



Environmental, Social and Governance Report

	Relevant groups	Concerns
Internal stakeholders	Employees	<ul style="list-style-type: none"> • Overall operating results of the Company; • Compliance during daily operation; • Remuneration, promotion and reward/punishment system, and imparity; and • Talent training system and personal development prospects.
	Senior management	<ul style="list-style-type: none"> • Economic benefits of the Company; • Production and operation management; • Comprehensiveness of governance system; • Risk management; and • Investment opportunities in the sector and development potential of the Company.
	Members of board of directors	<ul style="list-style-type: none"> • Strategic planning and its effectiveness and sustainability; and • Comprehensiveness and effectiveness of financial and internal control system.
External stakeholders	Shareholders and investors	<ul style="list-style-type: none"> • Financial condition and operating profitability of the Company; • Operational condition, market and industry changes; and • Interest of shareholder and investors.
	Customers	<ul style="list-style-type: none"> • Production technology and product quality of the Company; • Service quality and commitment of the Company; and • Operational stability of the Company.
	Suppliers	<ul style="list-style-type: none"> • Production technology and product quality of the Company; and • Operational stability of the Company.
	Government and regulatory authorities	<ul style="list-style-type: none"> • Compliance of the Company's operation; • Exercise in capital market and its compliance; and • Economic value and benefits.
	Media and general public	<ul style="list-style-type: none"> • Environmental protection policies; and • Compliance of the Company's operation.

Opinion Collection Channels

The Group proactively opens up multiple communication channels to understand their concerns over the Company, and discuss the Group's relevant policies improvement 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, interaction, notice boards 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.

BOARD INVOLVEMENT

The Board of Directors of the Group is ultimately responsible for overseeing the Group's ESG risk management and monitoring substantial risks within the Group. In addition, the Board of Directors also plays the role of a driving force in setting the vision of "people-oriented, technology innovation, serve the society and pursue excellence" for the Group.

Meanwhile, the Board leads the Environmental, Social and Governance Working Group to identify, assess and determine the relevant environmental, social and governance risks and formulate risk management measures, with a view to facilitate the Company's concerted and effective progress towards the goal of sustainable development. The Board will also continue to monitor the implementation of the risk management measures to ensure their effectiveness, and will continue to listen to the advice of various stakeholders to further improve the governance.

Functional Organization	Specific Responsibilities
Board of Directors	<ul style="list-style-type: none">• Determine ESG-related risks• Develop ESG strategy and approach• Review ESG Work Plan and Results
Environmental, Social and Governance Working Group	<ul style="list-style-type: none">• Identify ESG risks and opportunities• Coordinate ESG audit and information disclosure• Report to the Board of Directors on ESG matters
Business Units	<ul style="list-style-type: none">• Implement ESG-related policies• Report relevant work results to the working group

ENVIRONMENTAL ASPECT

The Group is well aware that the earth provides abundant natural resources for mankind, but we cannot make endless demand because human beings and the natural environment have an interdependent relationship. Therefore, the Group is committed to reducing the impact of its business operations on the environment, and taking a responsibility and boding a bit for environmental protection. The Group strictly abides by relevant national laws and regulations, and has also formulated internal environmental protection policies with reference to the relevant guidelines and standards, 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 hopes to encourage its employees to make good use of resources, develop energy conservation habits, reduce our impact on the environment and protect the environment through the 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.

Air Pollution

The Group strictly complies with relevant national laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Air Pollution Control Ordinance, Waste Disposal Ordinance, 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 Environmental Impact Assessment (中華人民共和國環境影響評價法), Regulations on the Administration of Construction Project Environmental Protection (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 other relevant regulations promulgated by the government and applicable to the Group. In addition, we have passed the quality control system ISO19001: 2016 standard certification, which proves that we meet the requirements of relevant laws. We comply with the secondary standards of the Ambient Air Quality Standards (環境空氣質量標準)(GB3095-2012) for air quality management in the general working environment. The Group does not discharge any material air pollutants during its production process.

In the product design process, we strictly follow the national laws and regulations and prohibit the use of materials that are expressly prohibited by relevant laws and regulations. In addition, we also require the design of related electronic products to select materials that comply with the "EU RoHS" of Restriction of Hazardous Substances Directive of the European Parliament and of the European Council to reduce hazards to human health and protect the environment.

Hazardous and Non-hazardous Waste

The Group is aware that improper disposal of waste will cause serious damage to the environment and affect the ecology. The Group implements stringent 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) and other relevant laws and regulations. According to the Waste Management System of Waste Area (廢品區廢棄物管理制度) and Management System of Photocopier Repair and Waste Toner (影印機修理及廢棄墨粉管理制度), the Group adopt relevant measures to prevent environmental pollution during the use and disposal of electronic solid waste and other wastes. We do not dispose of and throw out any solid waste irresponsibly. We abide by the principle of taking resources in a right way, while making efforts to reduce waste generation. On the other hand, we actively look for ways to reuse waste resources to make the best use of them. There is no significant hazardous waste generated during the Company's daily operations.

For electronic products, we have taken the following measures to reduce electronic waste generation:

1. Encourage the reuse of functioning electronic devices;
2. 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;
3. Invite specialized 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;
4. 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; and
5. 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 require:

1. Collection and classification of the waste produced during production processes by all production departments, and storage at designated locations according to guidelines; and
2. Inspection and record on the storage of waste by the Administration Department.

Sewage Discharge

The operation of the Group will not consume massive water resources. The Group does not produce waste water from the cleaning of its equipment. Sewage discharge mainly includes domestic wastewater. We strictly follow the environmental standard with proper wastewater treatment and wastewater will be discharged to the municipal pipe network after being processed by septic tank to minimise pollution to the environment.

Environmental, Social and Governance Report

Use of Resources

Green Office

The Group deeply understands that effective resources management is conducive to environmental protection and is closely related to the sustainable development goals of the Company. 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" and "Power Safety Management System" 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. 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. 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 through the network;
- vii. Encouraging double-sided printing as well as waste paper recycling; and
- viii. 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.

As mentioned above, the Group's main water consumption is mainly domestic water and it is mainly from office scale operation. Therefore, the Group does not have difficulties in obtaining water resources.

The Environment and Natural Resources

Human beings rely on the ecosystem services provided by nature. Therefore, it is important to protect biodiversity and the ecosystem. We pay full attention to the 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 using energy-efficient electronic equipment 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, implementing effective noise cancelling measures through improving production techniques; and
- vi. Separating waste from daily operation into hazardous and non-hazardous waste, increasing the waste recycling rate to reduce damage to the environment.

Moreover, the Group hopes that environmental protection can be subtly integrated into the lives of our employees. In addition to stringent compliance with relevant environmental laws and regulations, the Group organizes 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.

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.

CLIMATE CHANGE

Following the industrial revolution, the concentration of greenhouse gases generated by population growth, economic development and improved living standards has reached unprecedented levels, and these gases are directly affecting global temperatures and changing the Earth's climate. Climate change has become one of the tremendous challenges that contemporary humans need to take immediate action to address.

China is also facing this huge challenge and handling it seriously, and has proposed long-term climate targets of peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060. As the main focus of eco-environmental protection planning in the 14th Five-Year Plan, the concept of carbon reduction, energy saving and consumption reduction will definitely become the new direction of corporate development.

The Group attaches great importance to the risks posed by climate change to the Group's business, and has formulated the "Emergency Plan" (應急預案), "Emergency Rescue Plan" (應急救援預案計劃) and other systems and plans to cope with such risks in order to maintain the normal operation of the Group's business.

RISKS AND ACTIONS

The Group has identified the risks posed by climate change to the Group's business and analysed the possible impact as follows:

Physical Risks	Business Impacts	Actions
Extreme floods	Temporary interruption of infrastructure operations	"Emergency Plan", "Emergency Rescue Plan"
Typhoons	Supply chain disruption	Alternative suppliers
Sandstorms		

Environmental, Social and Governance Report

In response to the temporary interruption of infrastructure operations caused by sandstorms, extreme floods and typhoons, the Company will conduct emergency drills in accordance with the “Emergency Plan” and the “Emergency Rescue Plan”. The Company’s management will set up an emergency response team to provide on-site guidance according to unexpected situations.

Sandstorms, extreme floods and typhoons may affect the delivery of raw materials by suppliers. The Company will purchase sufficient raw materials for inventory protection in accordance with the order plan in its daily production. In the meantime, the Company will pay attention to extreme weather forecasts and stockpile sufficient raw materials in advance. The Company has also established a multi-territory supply channel and will select different suppliers in different regions as a supplemental replacement to reduce the impact in case of extreme weather.

Environmental KPI

Emission type	Unit	2021	2020
Air emissions			
Nitrogen oxides (NOx)	kg	26.61	13.47
Sulphur oxides (SOx)		0.86	0.29
Particulate matters (PM)		2.12	1.14
Greenhouse gas emissions			
Total greenhouse gas emissions (scope 1 and scope 2)	kg (equivalent of carbon dioxide)	295,811.31	197,188.39
Scope 1 – Direct emissions		155,968.89	52,580.00
Scope 2 – Indirect emissions		139,842.42	144,608.39
Intensity	kg/income in RMB million	13,571.85	31,093.12
Hazardous waste			
Total hazardous waste	kg	17.29	60.00
Intensity	kg/income in RMB million	0.79	9.46
Non-hazardous waste			
Total non-hazardous waste	kg	13,100.00	10,120.00
Intensity	kg/income in RMB million	601.03	1,595.74

Summary of Resources Consumption Data

Type of resources consumption	Unit	2021	2020
Energy consumption			
Total energy consumption	kWh	762,503.76	408,046.82
Electricity	kWh	228,248.00	215,221.01
Fuel oil	kWh	533,931.33	191,601.32
Natural gas	kWh	324.43	1,224.49
Intensity	kWh/income in RMB million	34,983.73	64,341.77
Paper			
	kg	612.90	560.00
Packaging materials			
Total packaging materials	kg	21,186.00	18,000.00
Plastic	kg	232.00	500.00
Corrugated papers	kg	25,909.00	17,500.00
Styrofoam	kg	45.00	–
Intensity	kg/income in RMB million	972.02	2,838.28
Water			
Total water consumption	m ³	5,192.00	3,997.34
Intensity	m ³ /income in RMB million	238.21	630.31

SOCIAL ASPECT

Employment and Labour Standard

During the Reporting Period, the Group employed 125 employees. With the “people-oriented” concept, 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 Employment Ordinance in Hong Kong, Labour Law of the People’s Republic of China (中華人民共和國勞動法), Civil Code of the People’s Republic of China (中華人民共和國民法典), Regulation on Labour Security Supervision (勞動保障監察條例) and the Labour Basic Standard Law (勞動基準法) 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 Handbook, aiming to regulate the employee’s behaviour and responsibilities and ensure they are treated fairly. 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.

Remuneration and Benefit

We have a well-maintained compensation management system to ensure that all our employees can enjoy the remuneration, benefits and welfare, 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.

Environmental, Social and Governance Report

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, we aim to improve our systems. 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; and
- iii. Objective condition where the company is not able to subsist.

If an employee 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.

Employee turnover rate:

Category		2021	2020
Gender	Male	14.29%	8.70%
	Female	29.03%	10.87%
Age group		2021	2020 ¹
	Age 20-29	14.00%	Not applicable
	Age 30-39	53.33%	Not applicable
	Age 40-49	13.73%	Not applicable
	Age 50-59	5.00%	Not applicable
Geographical region		2021	2020 ¹
	Mainland China	22.13%	Not applicable

Note:

1. Employee turnover rates by age group and geographical region are disclosed from 2021.

Communication with Employees and Corporate Culture

We highly value employee opinions, for which we have set up diversified channels between the management and our employees to listen earnestly to the suggestions and ideas of all employees and 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. 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 an effective and 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 and company knowledge learning, to bring our employees together and create the endeavouring culture and strong cohesion.

Prohibition of Forced Labour and Child Labour

The Group strictly prohibits the use of child labour, swindle of child labour, forced child labour and other form of forced labour. 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.

The Group also actively protects employees from any form of harassment or bullying at work. 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.

Summary of Employee Data

		2021	2020
Total number of staff		125	92
Gender	Male	63	46
	Female	62	46
Employment type	Full time	121	82
	Part time	4	10
Age group	Age below 30	22	12
	Age 30-39	30	38
	Age 40-49	51	26
	Age 50-59	20	14
	Age over 60	2	2
Geographical region	Mainland China	122	89
	Hong Kong	3	3

Health and Safety

The Group attaches great importance to the promotion of the concept of health and safety, and we always put our employees' health and safety in the first place as always. The Group formulated, in strict compliance with the relevant provisions of Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) and Labour Law of the People's Republic of China (中華人民共和國勞動法), a series of internal guidelines to standardise its daily operations, eliminate potential safety hazards and protect its employees' safety, including the "Safety Training System", "Safety Inspection System" and "Hidden Hazards Screening System".

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We consider protection of our employees during production processes as very crucial, as we adhere to the motto of "Safety and Prevention First". In addition to obtaining work-related injury insurance for all our employees, 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 remedial measures to prevent accidents.

We understand the increasing concern from employees and the society over work pressure and potential problems and the balance between work and life is very important to employees. Hence, we proactively care about our employees, 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, 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 as to create an agreeable working atmosphere.

There have been highs and lows in the COVID-19 epidemic across the world. In facing the epidemic, the Group pays close attention to the health and safety of our employees in all locations, and spare no effort to ensure their health and safety. Since the outbreak of COVID-19, the Group strictly complies with the epidemic prevention guidelines issued by the national government departments and the relevant requirements for resumption of work and production. We take the health and safety of all employees as our priority, and attach great importance to the implementation of epidemic prevention and control. Some measures include:

- i. Employees are required to take their own temperature at home before going to work. If the body temperature exceeds 37.2 degrees, they shall observe the high temperature situation and report at any time;
- ii. Employees must go to a designated hospital for testing if they have COVID-19 symptoms;
- iii. Employees are forbidden to go to work when ill. No concealment is allowed;
- iv. Employees should correctly wear disposable surgical masks on their way to and from work;
- v. Employees shall have hand disinfection, temperature measurement and registration before entering the workplace;
- vi. Using telephone or video as priorities to have meetings with customers. If it is necessary to pay a visit, it is required to communicate with customers on visiting request by telephone call in advance, cooperate with them for safety inspection, and wear a mask during the entire trip;
- vii. Posting epidemic prevention notices in the workplace, such as reminding staff to wear masks;
- viii. Disinfecting the Company's public areas, including halls, corridors, offices, meeting rooms, elevators, stairs, and toilets on a daily basis; and
- ix. Adding enough hand sanitizer.

During the Reporting Period, the Group did not incur any major safety accidents and work-related injuries; and the Group had not identified any incidents which violate health and safety laws and regulations.

Development and Training

We pay attention to the training and improvement of employees' abilities, knowledge and skills and strive to promote their long-term career development. Therefore, we have launched a comprehensive, diverse career development programme to 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. The Company employs first-class related professional institutions to provide training for staff, including Nanjing China Quality Mark Certification Group (Jiangsu) Co., Ltd.* (南京方圓標誌認證集團江蘇有限公司), Changshu Emergency Management Bureau, Accounting Continuing Education Platform of Jiangsu Province, etc. The training programmes cover 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; and
- 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.

Employees Training Hours:

Category			2021	2020
Total number of employees trained		Number of people	119	81
Trained employees as a percentage of total number of employees		Percentage	95.20	88.04
Gender	Male	Percentage	96.83	86.96
	Female	Percentage	93.55	89.13
Employee category	Executives	Percentage	100.00	-
	Others	Percentage	93.88	-
Gender	Male	Average number of hours	36	17
	Female	Average number of hours	50	22
Employee category	Executives	Average number of hours	32	37
	Others	Average number of hours	46	20

The percentage of employees trained by employee position are disclosed from 2021.

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.

Environmental, Social and Governance Report

We evaluate the effects of the training and our employees' performance to adjust the training programs. Also, we always pay close attention to the latest national policy and regulatory changes and updates from the relevant regulatory authorities, so that our directors and senior management fully understand the new legal requirements, systems and industry knowledge.

Internal Development

The Group is well aware that talent training is the most important work above all, so 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 prioritise 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.

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. During the Reporting Period, the Group had a total of 27 suppliers, all of which are domestic suppliers.

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 other suppliers pursuant to relevant system. During the Reporting Period, the Group has implemented the aforesaid measure on 15 suppliers.

We are advocating a green and sustainable supply chain model, in which environmental protection concepts are considered from research and development to production. The Group carefully examines the qualifications of suppliers and their comprehensiveness in terms 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 learn their operational environmental measures through investigations and site visit, and ensure that their materials meets required standards, so as to protect the Group's supply chain from creating substantial impact on the environment and natural resources.

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 and telephone calls 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, including participation of international exhibitions and other business events, while also promoting our corporate culture and encouraging our suppliers to continue to improve and source suppliers with the same value to make contributions to economic, social and environmental sustainability. The Group will optimise its supply chain upon industry changes.

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.

Product Responsibility

The top priority of a group is to ensure that customers are satisfied with our products and services. The Group strictly complies 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 ISO19001: 2016 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 specific research institute for conducting several functional tests, so as to ensure that our products meet the quality and safety standards.

During the Reporting Period, there were no significant complaints or compensation requests against us arising from the quality issue of the products of the Group.

Understanding Customer's Expectation

The Group has always been customer-centric as their 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.

Environmental, Social and Governance Report

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 compensation mechanism, and recall products, make exchanges or settle compensation in accordance with the Compensation Management Measures (賠償管理辦法) and other after-sale measures and requirements.

During the Reporting Period, no products were subject to recall due to safety and health concerns.

Protection of Privacy and Intellectual Property

We understand the vitality of protecting intellectual property and strictly comply with the Civil Code of the People’s Republic of China (中華人民共和國民法典), Law of the People’s Republic of China on Protection of Intellectual Property Rights (中華人民共和國知識產權法), Anti-Unfair Competition Law (反不正當競爭法) and other relevant laws and regulations. We constantly complete our management protocols and Employee 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 “Management Regulations on Confidentiality of the Group’s Internal Information”, the “Template of Non-disclosure Agreement” and other stringent information confidentiality regulations, 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.

Anti-corruption

The Group adhered to its principles of operation of high integrity standard 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), Anti-Money Laundering Law of the People’s Republic of China (中華人民共和國反洗錢法), Anti-Monopoly Law of the People’s Republic of China (中華人民共和國反壟斷法), Anti-Unfair Competition Law of the People’s Republic of China (中華人民共和國反不正當競爭法), Prevention of Bribery Ordinance (Cap. 201 of Hong Kong Law) (防止賄賂條例) and other applicable laws and regulations, and put them into active practice.

To establish a clean and righteous corporate culture, 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.

As to cooperation with other companies in aspects of procurement, external investment or investment introduction, the Group has sound rules and system. We will perform due diligence in advance and strictly manage and implement 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. In addition, 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, we strictly 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

To enhance our internal integrity culture, we have a well-maintained anonymous reporting mechanism to encourage our employees to report unlawful and dishonest conducts within the Company through e-mail, telephone and other written form, etc., and promise to provide the informants with adequate protection to ensure that employees who whistle-blow will not subject to unreasonable disciplinary action, unfair dismissal, or coercion. 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.

Community Investment

As a member of the community, an enterprise and the community are closely linked, and it is the great mission of an enterprise to increase social well-being. The Group pursues sustainable development and try its best to strike a balance between interest and responsibility. We proactively respond 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 hope to blend the project with the local community and actively participate in the local charity activities and take the social responsibilities. 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 actions, for the purposes of self-improvement and giving back to the society.

Contribute to the National Work on Poverty Alleviation

In order to actively respond to the national poverty alleviation policy and fulfill the Group's social responsibility, the Group has set up Hailan Natural Agricultural Development Co., Ltd. (海蘭天然農業開發有限責任公司) with 51% equity interest in Yi County, Hebei Province, which is a territory included in the navy's fixed-point poverty alleviation village policy, since 2016, to carry out the production and sales of agricultural products, mainly live chicken, chicken meat and related by-products, and established an agricultural product sales and operations department. During the period, an operating income of approximately RMB16.19 million was generated. The successful improvement of market channels has been beneficial to the Group's cooperation with other market stakeholders and increased the operating income of agricultural and by-products.

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Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xiao Bing (肖兵先生), aged 56, is a son of Professor Xiao Liangyong, the founder of the Company. Mr. Xiao studied in radio technology under the 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 46, 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 a senior manager of finance department and a partner of Xinzhuo (China) Consulting Co., Ltd.* (信卓(中國)諮詢有限公司) 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 46, 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.

Directors, Supervisors and Senior Management

Mr. Li Wenqi (李文琦先生), aged 56, 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 has 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 58, graduated from Xidian University* (西安電子科技大學) and obtained the qualification of Senior Engineer in 2005. He was 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 Huiliang Electronic Technologies Co., Ltd.* (西安慧良電子科技有限公司) in 1995 and 1997 respectively. He was 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) in September 1999. 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責任公司), 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 in 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.

Mr. Yan Weimin (燕衛民先生), aged 54, graduated from Central South University* (中南大學) with a Bachelor 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 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)) and was 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.* (上海愛建股份有限責任公司), and was in charge of trading of mineral products and also responsible for 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 is 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.

Mr. Xu Xiong (徐雄先生), aged 49, graduated from Party School of The Central Committee of Communist Party of China* (中共中央黨校函授學院) in 2000 with a Bachelor of Managerial Economic and obtained an Executive Master of Business Administration from Peking University in 2008. Mr. Xu has served the chairman of the board of Eastern Pioneer Driving School Co., Ltd.* (東方時尚駕駛學校股份有限責任公司), a company listed on The Shanghai Stock Exchange, since 2005 and the chief executive of Eastern Pioneer Investment Co., Ltd.* (東方時尚投資有限公司), a controlling shareholder of Eastern Pioneer Driving School Co., Ltd.*, since 2008. Mr. Xu has extensive experience in business management and application of 5G technologies in the business and products. Mr. Xu has been appointed as a non-executive Director with effect from 23 October 2020.

Independent Non-Executive Directors

Mr. Zhang Jun (張鈞先生), aged 53, 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.* (美國哈裡斯(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. Mr. Zhang has joined the Company as an independent non-executive Director since 28 June 2013.

Professor Shi Ping (師萍教授), aged 72, holds a doctoral degree and the 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). Professor Shi was an independent director of Shaanxi Qinling Cement (Group) Co., Ltd.* (陝西秦嶺水泥(集團)股份有限公司), GuangYuYuan Chinese Herbal Medicine Co., Ltd.* (廣譽遠中藥股份有限公司) and Xi'an Haixing Technology Industry (Group) Co., Ltd.* (西安海星科技實業(集團)有限公司). Professor Shi is an independent director of Ginwa Enterprise (Group) Inc.* (金花企業(集團)股份有限公司) and 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 55, 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.

Mr. Liu Lidong (劉立東先生), aged 51, graduated from Beijing College of Posts and Telecommunications* (北京郵電學院), now known as Beijing University of Posts and Telecommunications* (北京郵電大學), with bachelor degree in computer communication in July 1992, and obtained a master degree in business administration from Tsinghua University in July 2006. Mr. Liu served as an engineer, supervisor, manager and department head of Guangdong Mobile Communications Co., Ltd. Shenzhen Branch* (廣東移動通信有限責任公司深圳分公司) successively from 1992 to 2006; served as the general manager of Guangdong Mobile Communications Co., Ltd. Meizhou Branch* (廣東移動通信有限責任公司梅州分公司) from 2006 to 2007; served as the regional general manager and integrated department general manager of CMPark Co., Ltd.* (中國移動辛姆巴科有限公司) successively from 2007 to 2009; and served as the executive of Yinsheng Electronic Payment Technologies Co., Ltd.* (銀盛電子支付科技有限公司) from 2009 to 2011. Mr. Liu has served as an executive director in Shenzhen Yangyi Technologies Co., Ltd.* (深圳市揚易科技有限公司) since 2011, and has served as the chairman and director of Guangzhou Liuhe Information Technologies Co., Ltd.* (廣州六合信息科技股份有限公司) since 2016. Mr. Liu has been appointed as an independent non-executive Director with effect from 10 May 2021.

Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Wang Xiaokun (王曉坤先生), aged 52, graduated from Nanjing University* (南京大學) in 1991 with a bachelor degree 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同) 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同). Mr. Wang has been appointed as an independent Supervisor with effect from 30 June 2015.

Mr. Zhang Yi (張毅先生), aged 52, 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 general accounting 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同). Mr. Zhang has been appointed as an independent Supervisor with effect from 21 August 2015.

Mr. Shang Lijian (商力堅先生), aged 54, 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同) as a corporate staff from January 1998 to May 2001. Mr. Shang joined Beijing Holding Investment Management Co., Ltd.* (北京控股投資管理有限公同) 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同) 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同) as the deputy general manager (2007-2013) and Guoao Investment Development Co., Ltd.* (國奧投資發展有限公同) 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)有限公同) which holds more than one-third of voting rights of Beijing Holdings Investment Management Co., Ltd.* (北京北控京泰投資管理有限公同), a promoter and shareholder of the Company, in July 2015, became the deputy manager (lead work) in March 2018, and then has assumed the manager of the Strategy and Investment Department since May 2020. Mr. Shang has been appointed as a shareholder Supervisor with effect from 29 June 2018.

Mr. Li Tianzuo (李天佐先生), aged 49, 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* (西安大唐電信公同) 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同) from May 2000 to October 2002 and engaged in design and development of new generation of soft-switching communication products. 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 since November 2002 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 47, 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 41, 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 in e-commerce from Northwest University in the same year. In 2009, he obtained a Master of Engineering in project management from Northwestern Polytechnical University* (西北工業大學). Mr. Wang was a non-staff representative supervisor of the fourth supervisory committee from March 2019 to March 2021 and has been a non-staff representative supervisor of the fifth supervisory committee since March 2021 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 March 2019, and an appointed representative of Shanghai Zhenxi Enterprise Management Consulting Partnership (Limited Partnership)* (上海臻禧企業管理諮詢合夥企業(有限合夥)) since 8 December 2020. After joining the Group in September 2002, he 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 50, 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 41, 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 since November 2018 and the financial controller since August 2019, served as a non-independent director of the fourth board of directors from November 2020 to March 2021 and has served the vice-chairman of the fifth board of directors since March 2021 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. 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 vice general manager of the Company from 29 June 2016 to 8 September 2017, 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.

Directors, Supervisors and Senior Management

Mr. Wang Jianqing (王建青先生), aged 40, 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 36, obtained a Bachelor of 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 2021, 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 of 2021 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 2021 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
24 March 2022

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2021.

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 VIII.1 to the 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 2021 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 2021.

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 2021.

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 notes VI.25 to 27 to the financial statements respectively.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2021 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.24 to the 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 RMB1.62 million on plant and equipment to expand and upgrade its production capacity. Details of these and other movements during the year in fixed assets and projects under construction of the Group are set out in notes VI.8 and 9 to the 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
Mr. Yan Weimin
Mr. Xu Xiong

Independent Non-Executive Directors

Mr. Zhang Jun
Professor Shi Ping
Mr. Tu Jijun
Mr. Liu Lidong (appointed on 10 May 2021)
Professor Lei Zhenya (resigned on 10 May 2021)

Supervisors

Mr. Wang Xiaokun
Mr. Zhang Yi
Mr. Shang Lijian
Mr. Li Tianzuo
Ms. Lu Lihua

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.5 to the financial statements.

Directors' Report

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 2021, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

Name of person	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Mr. Xiao Bing (肖兵先生)	Beneficial owner, family member interest and interest in controlled corporation	550,832,335 (Note 1)	44.00%	29.03%
Mr. Chen Ji (陳繼先生)	Interest in controlled corporation	273,344,804 (Note 2)	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
Mr. Xiao Bing (肖兵先生)	Beneficial owner	10,000,000	1.55%	0.53%
Mr. Chen Ji (陳繼先生)	Beneficial owner, spouse interest and interest in controlled corporation	46,371,000 (Note 3)	7.18%	2.44%
Ms. Lu Lihua (陸麗華女士)	Beneficial owner	14,000 (Note 4)	<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
Mr. Chen Ji (陳繼先生)	Interest in controlled corporation	36,300,000 (Note 5)	5.62%	1.91%

Notes:

1. 328,363,637 Domestic Shares are held by Xi'an Tian An Corporate Management and Consulting Co., Ltd.* (西安天安企業管理諮詢有限公司) ("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 31% 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 held by Mr. Xiao Bing.
2. 254,844,804 Domestic Shares are held by Shanghai Gaoxiang Investment Management Co., Ltd.* (上海高湘投資管理有限公司) ("Gaoxiang Investment"), which is beneficially owned by 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夥企業(有限合夥)) ("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 and 300,000 H Shares are held by Ms. Sun Xiangjun. 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.* (中融國際信託有限公司) ("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 300,000 and 36,300,000 H Shares.
4. Ms. Lu Lihua (陸麗華女士) is a staff Supervisor.
5. Short positions 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.

Saved as disclosed above, as at 31 December 2021, 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.

Directors' Report

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

As at 31 December 2021, 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
Ms. Chen Jing (陳靜女士)	Spouse interest and interest in controlled corporation	550,832,335 (Note 1)	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)	44.00%	29.03%
Tian An Corporate	Beneficial owner	328,363,637 (Note 1)	26.23%	17.30%
Ms. Sun Xiangjun (孫湘君女士)	Spouse interest and interest in controlled corporation	273,344,804 (Note 2)	21.84%	14.40%
Gaoxiang Investment	Beneficial owner	254,844,804 (Note 2)	20.36%	13.43%
Xiao Antenna	Beneficial owner	157,468,698 (Note 1)	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	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)	5.99%	3.96%
Mr. Xiao Feng (肖峰先生)	Interest in controlled corporation	75,064,706 (Note 3)	5.99%	3.96%

Name of person/entity	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司)	Beneficial owner	70,000,000 (Note 4)	5.59%	3.69%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 (Note 4)	5.59%	3.69%
Beijing Holdings Investment Management Co., Ltd.* (北京北控京泰投資管理有限公司)	Beneficial owner	54,077,941 (Note 5)	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)	4.32%	2.85%
Ms. Jin Rongfei (金嶸霏女士)	Beneficial owner	50,000,000	3.99%	2.64%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	1.60%	1.05%
Mr. Zhang Jiandong (張建東先生)	Beneficial owner	20,000,000	1.60%	1.05%
Shanghai Hongzhen Ningshang	Beneficial owner	18,500,000 (Note 2)	1.48%	0.97%
Shanghai Ruikou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	1.48%	0.97%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	0.87%	0.58%
Mr. Liao Kang (廖康先生)	Beneficial owner	9,101,478	0.73%	0.48%

Directors' Report

Long positions in H Shares

Name of person/entity	Capacity	Number of H Shares (Note 6)	Approximate % in total issued H Shares	Approximate % in total issued Shares
Huang Li Hou (黃李厚)	Beneficial owner	85,100,000	13.18%	4.48%
Ms. Chen Wei (陳瑋女士)	Beneficial owner and interest in controlled corporation	70,897,000 (Note 7)	10.98%	3.74%
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	70,752,000 (Note 7)	10.96%	3.73%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Interest in controlled corporation	70,752,000 (Note 7)	10.96%	3.73%
Zeal Warrior Investments Limited	Interest in controlled corporation	70,752,000 (Note 7)	10.96%	3.73%
Ms. Sun Xiangjun (孫湘君女士)	Beneficial owner, spouse interest and interest in controlled corporation	46,371,000 (Note 9)	7.18%	2.44%
Clear Renown Global Limited (朗譽環球有限公司)	Beneficial owner	42,000,000 (Note 8)	6.50%	2.21%
Huang Wei Wen (黃偉汶)	Interest in controlled corporation	42,000,000 (Note 8)	6.50%	2.21%
Guotai Junan Financial	Issuer of investment products	36,300,000 (Note 9)	5.62%	1.91%
Guotai Junan International	Interest in controlled corporation	36,300,000 (Note 9)	5.62%	1.91%
Guotai Junan Holdings	Interest in controlled corporation	36,300,000 (Note 9)	5.62%	1.91%
Guotai Junan Securities	Interest in controlled corporation	36,300,000 (Note 9)	5.62%	1.91%
Zhongrong International	Investment manager	36,300,000 (Note 9)	5.62%	1.91%
Gaoxiang Investment	Beneficial owner	36,300,000 (Note 9)	5.62%	1.91%

Short positions in H Shares

Name of person/entity	Capacity	Number of underlying H Shares (Note 6)	Approximate % in total issued H Shares	Approximate % in total issued Shares
Guotai Junan Financial	Issuer of unlisted and cash settled derivatives	36,300,000 (Note 10)	5.62%	1.91%
Guotai Junan International	Interest in controlled corporation	36,300,000 (Note 10)	5.62%	1.91%
Guotai Junan Holdings	Interest in controlled corporation	36,300,000 (Note 10)	5.62%	1.91%
Guotai Junan Securities	Interest in controlled corporation	36,300,000 (Note 10)	5.62%	1.91%
Zhongrong International	Investment manager	36,300,000 (Note 10)	5.62%	1.91%
Gaoxiang Investment	Beneficial owner	36,300,000 (Note 10)	5.62%	1.91%
Ms. Sun Xiangjun (孫湘君女士)	Interest in controlled corporation	36,300,000 (Note 10)	5.62%	1.91%

Notes:

- 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 31% by his father Professor Xiao Liangyong and as to 30% by his spouse Ms. Chen Jing. 65,000,000 Domestic Shares are held by 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.
- 254,844,804 Domestic Shares are held by 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.
- 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 as to 80% by Mr. Xiao Feng (肖峰先生). By virtue of the SFO, Mr. Xiao Feng is deemed to be interested in the same 75,064,706 Domestic Shares.
- 70,000,000 Domestic Shares are held by Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司), which is beneficially owned as to 50% by Mr. Wang Yun (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.

Directors' Report

5. 54,077,941 Domestic Shares are held by Beijing Holdings Investment Management Co., Ltd.* (北京北控京泰投資管理有限公司) (“Beijing Holdings”). By virtue of the SFO, Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司), which holds more than one third of voting rights of Beijing Holdings, is deemed to be interested in the same 54,077,941 Domestic Shares.
6. Details of these shareholders of the Company are based on information as set out in the website of the Stock Exchange and notified by the Disclosure of Interests Online System of the Stock Exchange.
7. 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”). 70,752,000 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 70,752,000 H Shares.
8. 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.
9. 9,771,000 H Shares are held by Mr. Chen Ji and 300,000 H Shares are held by Ms. Sun Xiangjun. 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.
10. Short positions 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.

Saved as disclosed above, as at 31 December 2021, 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 2021, 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 2021.

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 2021 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 contracts, no contract of significance, to which the Company or its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

Directors' Report

CONNECTED TRANSACTIONS

During the year, the Company did not undertake and/or approve any significant and discloseable connected transactions with connected persons of the Company.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 12 to 18 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.

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
24 March 2022



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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

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 31 December 2021, 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 31 December 2021, 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 advanced payments for purchase of land and real estate

In 2016, Haitian Antenna paid advanced payments of RMB18,546,000.00 to Xi'an Xiangyu Aviation Technologies Co., Ltd. (hereinafter referred to as Xiangyu Aviation) to purchase the land and above-ground buildings of Xiangyu Aviation. As at 31 December 2021, the aforesaid land and above-ground building property rights have not been transferred to Haitian Antenna. Based on the implementation status of other legal matters of Xiangyu Aviation, Haitian Antenna's management engaged a lawyer to give professional advice and engaged an independent evaluation agency to evaluate the aforesaid land and above-ground buildings and perform impairment calculation on the above-mentioned advanced payments.

As the advanced payments for the purchase of land and real estate with signs of impairment were tested for impairment in which the judgments and estimates of the management, lawyer, and appraiser were involved, and errors or potential management biases may be existed, we therefore identified the impairment of the advanced payments for purchase of land and real estate as a key audit matter.

We design the following audit procedures:

- (1) Reviewing the legal advice of lawyer engaged by Haitian Antenna on the purchase of land and real estate to understand the relevant legal relationship and legal consequences.
- (2) Reviewing the evaluation report as at 31 December 2021 prepared by the independent evaluation agency engaged by Haitian Antenna, and evaluating the professional competence of the appraisers and the assumptions and basis for the calculation of the assessed value. We also reviewed the reasonableness of the judgments and estimates adopted by the evaluation agency in calculating the assessed value.
- (3) Reviewing the management's assumptions and basis for further cost on the purchase of land and above-ground attachments, and we reviewed the reasonableness of the judgments and estimates adopted in various parameters.
- (4) Discussing possible signs of impairment of the advanced payments with the management based on the above situation, and reviewing the assessment made by the management on the possible signs of impairment.
- (5) Evaluating the impairment calculations conducted by the management if the management identified the signs of impairment, and reviewing and evaluating the judgments, estimates, and selected valuation methods adopted by the management, and analysing their reasonableness.
- (6) Reviewing the adequacy and completeness of relevant disclosures in the notes to the financial statements.

III. KEY AUDIT MATTERS (Continued)

Key audit matters

Countermeasures in the audit

Matter on impairment of intangible assets

As at 31 December 2021, the book value of intangible assets – patent of Suzhou Haitian New Antenna Technologies Co., Ltd.* (蘇州海天新天綫科技有限公司), a subsidiary of Haitian Antenna, was RMB50,635,210.75, accounting for 43.09% of the total assets in the consolidated financial statements of Haitian Antenna. Judgments and impairment tests on the indication of impairment of relevant patent are material to the financial statements of Haitian Antenna. The management of Haitian Antenna exercises judgments on the impairment of patent at the end of each year, and introduces external experts to perform impairment tests on the patent.

Since the impairment test of patent with indication of impairment involves significant judgments and estimates made by the management, and there may exist errors or potential management biases, hence, we identify the impairment of intangible assets as a key audit matter.

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 evaluation report prepared by the independent evaluation agency on 31 December 2021, and evaluating the competence, experience and objectivity of external experts. We also discussed with the appraisal experts on the valuation method selected in the impairment test and judged its reasonableness.
- (3) We reviewed the expected future annual sales revenue or operating performance of the patent.
- (4) Reviewing the adequacy and completeness of relevant disclosures in the notes to the financial statements.

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 2021 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 inconsistency 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.

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

- (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.
- (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

24 March 2022

Consolidated Balance Sheet

31 December 2021

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

Unit: RMB

Item	Note	31 December 2021	31 December 2020
Current assets:			
Cash at bank and on hand	VI, 1	4,371,383.08	2,065,197.50
Financial assets held for trading	VI, 2	2,000.00	2,334,010.60
Derivative financial assets		—	—
Notes receivable		—	—
Accounts receivable	VI, 3	18,391,443.64	2,165,411.16
Receivables financing		—	—
Advanced payments	VI, 4	377,684.42	706,310.57
Other receivables	VI, 5	2,220,494.70	2,074,844.67
Of which: Interest receivable		—	—
Dividends receivable		—	—
Financial assets purchased under agreements to resell		—	—
Inventories	VI, 6	14,106,472.20	7,843,229.28
Contractual assets		—	—
Held-for-sale assets		—	—
Non-current assets due within one year		—	—
Other current assets	VI, 7	813,415.26	1,048,655.53
Total current assets		40,282,893.30	18,237,659.31
Non-current assets:			
Creditor's right investment		—	—
Other creditor's right investment		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		—	—
Fixed assets	VI, 8	6,517,570.17	6,152,972.24
Projects under construction	VI, 9	—	128,205.13
Bearer biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets	VI, 10	6,803,796.48	9,542,773.41
Intangible assets	VI, 11	50,871,400.07	58,939,423.05
Development expenditure	VI, 12	—	—
Goodwill		—	—
Long-term deferred expenses	VI, 13	—	180,236.65
Deferred income tax assets	VI, 14	—	—
Other non-current assets	VI, 15	13,042,225.16	13,042,225.16
Total non-current assets		77,234,991.88	87,985,835.64
Total assets		117,517,885.18	106,223,494.95

Consolidated Balance Sheet

31 December 2021

Item	Note	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings	VI,16	8,500,000.00	–
Notes payable		–	–
Accounts payable	VI,17	16,339,298.78	11,358,974.27
Advanced receipts		–	–
Contractual liabilities		–	–
Payroll payable	VI,18	4,980,111.91	3,831,316.18
Taxes payable	VI,19	1,985,843.98	1,905,375.50
Other payables	VI,20	30,345,635.50	20,404,258.11
Of which: Interest payable		–	–
Dividends payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year	VI,21	4,132,624.72	2,981,115.59
Other current liabilities	VI,22	25,500,000.00	13,500,000.00
Total current liabilities		91,783,514.89	53,981,039.65
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Of which: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities	VI,23	3,466,177.46	7,300,903.84
Long-term payables		–	–
Long-term payroll payable		–	–
Estimated liabilities		–	–
Deferred incomes		–	–
Deferred income tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		3,466,177.46	7,300,903.84
Total liabilities		95,249,692.35	61,281,943.49

Consolidated Balance Sheet

31 December 2021

Item	Note	31 December 2021	31 December 2020
Shareholders' equity:			
Share Capital	VI,24	189,762,900.00	189,762,900.00
Other equity instruments		–	–
Of which: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserves	VI,25	182,569,046.27	182,569,046.27
Less: Treasury shares		–	–
Other comprehensive income		–	–
Special reserves		–	–
Surplus reserves	VI,26	16,435,819.34	16,435,819.34
General risk reserves		–	–
Undistributed profits	VI,27	(369,103,101.74)	(346,442,138.02)
Total shareholders' equity attributable to the parent company		19,664,663.87	42,325,627.59
Minority shareholders' equity		2,603,528.96	2,615,923.87
Total shareholders' equity		22,268,192.83	44,941,551.46
Total liabilities and shareholders' equity		117,517,885.18	106,223,494.95

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Balance Sheet of Parent Company

31 December 2021

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

Unit: RMB

Item	Note	31 December 2021	31 December 2020
Current assets:			
Cash at bank and on hand		663,597.08	462,677.37
Financial assets held for trading		—	—
Notes receivable		—	—
Accounts receivable	XVII, 1	13,309,298.23	540,502.96
Receivables financing		—	—
Advanced payments		—	—
Other receivables	XVII, 2	35,308,521.50	30,833,503.58
Of which: Interest receivable		—	—
Dividends receivable		—	—
Inventories		6,074,786.88	2,116,166.72
Contractual assets		—	—
Held-for-sale assets		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
Total current assets		55,356,203.69	33,952,850.63
Non-current assets:			
Creditor's right investment		—	—
Other creditor's right investment		—	—
Long-term receivables		—	—
Long-term equity investments	XVII, 3	53,658,068.73	50,458,068.73
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		—	—
Fixed assets		1,805,395.38	1,188,301.92
Projects under construction		—	—
Bearer biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		—	—
Intangible assets		48,165.30	62,985.30
Development expenditure		—	—
Goodwill		—	—
Long-term deferred expenses		—	—
Deferred income tax assets		—	—
Other non-current assets		13,042,225.16	13,042,225.16
Total non-current assets		68,553,854.57	64,751,581.11
Total assets		123,910,058.26	98,704,431.74

Balance Sheet of Parent Company

31 December 2021

Item	Note	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings		3,500,000.00	–
Financial liabilities held for trading		–	–
Notes payable		–	–
Accounts payable		9,154,094.30	3,194,994.53
Advanced receipts		–	–
Contractual liabilities		–	–
Payroll payable		3,275,015.10	2,501,857.26
Taxes payable		1,702,050.54	1,598,066.85
Other payables		23,041,309.21	20,135,895.82
Of which: Interest payable		–	–
Dividends payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year		–	–
Other current liabilities		25,500,000.00	13,500,000.00
Total current liabilities		66,172,469.15	40,930,814.46
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Of which: 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		66,172,469.15	40,930,814.46

Balance Sheet of Parent Company

31 December 2021

Item	Note	31 December 2021	31 December 2020
Shareholders' equity:			
Share Capital		189,762,900.00	189,762,900.00
Other equity instruments		–	–
Of which: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserves		180,460,762.84	180,460,762.84
Less: Treasury shares		–	–
Other comprehensive income		–	–
Special reserves		–	–
Surplus reserves		16,435,819.34	16,435,819.34
Undistributed profits		(328,921,893.07)	(328,885,864.90)
Total shareholders' equity		57,737,589.11	57,773,617.28
Total liabilities and shareholders' equity		123,910,058.26	98,704,431.74

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Income Statement

2021

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

Unit: RMB

Item	Note	2021	2020
I. Total operating income	VI,28	39,067,769.85	12,177,460.98
Of which: Operating income		39,067,769.85	12,177,460.98
II. Total operating costs		61,069,531.80	43,531,343.13
Of which: Operating costs	VI,28	26,580,572.44	9,330,714.11
Taxes and surcharges	VI,29	134,275.34	101,841.91
Selling expenses	VI,30	5,207,338.94	876,427.11
Administrative expenses	VI,31	22,840,545.65	28,648,154.58
R&D expenses	VI,32	6,145,716.23	4,287,730.38
Financial expenses	VI,33	161,083.20	286,475.04
Of which: Interest expenses		609,791.20	190,974.34
Interest income		6,448.96	9,499.02
Add: Other gain	VI,34	736,024.70	621,052.07
Investment gain ("()" for loss)	VI,35	269,414.99	955,643.36
Of which: Gain from investment in associates and joint ventures		–	–
Derecognition gain of financial assets measured at the amortised cost		–	–
Gain from changes in fair value ("()" for loss)	VI,36	–	114,400.52
Credit impairment loss ("()" for loss)	VI,37	(670,398.72)	(5,046,446.72)
Assets impairment loss ("()" for loss)	VI,38	(994,652.68)	–
Gain from assets disposal ("()" for loss)		–	–
III. Operating profit ("()" for loss)		(22,661,373.66)	(34,709,232.92)
Add: Non-operating income	VI,39	62,589.42	265,636.66
Less: Non-operating expenditure	VI,40	60,504.42	83,360.44
IV. Total profit ("()" for total loss)		(22,659,288.66)	(34,526,956.70)
Less: Income tax expenses	VI,41	14,069.97	11,946.97
V. Net profit ("()" for net loss)		(22,673,358.63)	(34,538,903.67)
(I) By business continuity		(22,673,358.63)	(34,538,903.67)
1. Net profit from continuing operations ("()" for net loss)		(22,673,358.63)	(34,538,903.67)
2. Net profit from discontinued operations ("()" for net loss)		–	–
(II) By ownership		(22,673,358.63)	(34,538,903.67)
1. Net profit attributable to owners of the parent company ("()" for net loss)		(22,660,963.72)	(34,192,415.93)
2. Minority shareholders' profit and loss ("()" for net loss)		(12,394.91)	(346,487.74)

Consolidated Income Statement

2021

Item	Note	2021	2020
VI. Net of tax of other comprehensive income		-	-
Net of tax of other comprehensive income attributable to 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 plans		-	-
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 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 portion of cash flow hedging gain or loss)		-	-
6. Translation difference of foreign currency financial statements		-	-
7. Others		-	-
Net of tax of other comprehensive income attributable to minority shareholders		-	-
VII. Total comprehensive income		(22,673,358.63)	(34,538,903.67)
Total comprehensive income attributable to shareholders of the parent company		(22,660,963.72)	(34,192,415.93)
Total comprehensive income attributable to minority shareholders		(12,394.91)	(346,487.74)
VIII. Earnings per share			
(I) Basic earnings per share (Yuan/share)		(0.0119)	(0.0185)
(II) Diluted earnings per share (Yuan/share)		(0.0119)	(0.0185)

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Income Statement of Parent Company

2021

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

Unit: RMB

Item	Note	2021	2020
I. Operating income	XVII,4	18,497,074.83	3,045,699.78
Less: Operating costs	XVII,4	9,484,090.23	632,056.66
Taxes and surcharges		17,445.44	13,092.91
Selling expenses		3,542,019.60	597,087.28
Administrative expenses		8,237,883.83	9,806,668.00
R&D expenses		5,156,159.94	3,701,564.19
Financial expenses		114,651.70	12,695.32
Of which: Interest expenses		3,500.00	—
Interest income		3,436.36	1,477.68
Add: Other gain		117,365.18	177,558.61
Investment gain (“()” for loss)		—	—
Of which: Gain from investment in associates and joint ventures		—	—
Derecognition gain of financial assets measured at amortised cost		—	—
Gain from changes in fair value (“()” for loss)		—	—
Credit impairment loss (“()” for loss)		7,894,925.41	(3,918,242.44)
Assets impairment loss (“()” for loss)		—	—
Gain from assets disposal (“()” for loss)		—	—
II. Operating profit (“()” for loss)		(42,885.32)	(15,458,148.41)
Add: Non-operating income		62,309.42	137,795.20
Less: Non-operating expenditure		55,452.27	1,122.04
III. Total profit (“()” for total loss)		(36,028.17)	(15,321,475.25)
Less: Income tax expenses		—	—
IV. Net profit (“()” for net loss)		(36,028.17)	(15,321,475.25)
(I) Net profit from continuing operations (“()” for net loss)		(36,028.17)	(15,321,475.25)
(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 plans		—	—
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 portion of cash flow hedging gain or loss)		—	—
6. Translation difference of foreign currency financial statements		—	—
7. Others		—	—
VI. Total comprehensive income		(36,028.17)	(15,321,475.25)

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Cash Flow Statement

2021

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

Unit: RMB

Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		25,518,020.12	15,226,190.42
Taxes and surcharges refunded		404.29	–
Other cash received relating to operating activities	VI,42	851,038.00	1,982,302.81
Subtotal of cash inflows from operating activities		26,369,462.41	17,208,493.23
Cash paid for purchase of goods and receipt of services		28,040,237.26	15,319,661.33
Cash paid to and for employees		13,826,276.30	12,157,759.60
Taxes and surcharges paid		236,427.45	385,067.13
Other cash paid relating to operating activities	VI,42	10,247,817.57	8,443,265.66
Subtotal of cash outflows for operating activities		52,350,758.58	36,305,753.72
Net cash flows from operating activities		(25,981,296.17)	(19,097,260.49)
II. Cash flows from investing activities:			
Cash received from disposal of investment		2,332,010.60	11,545,151.89
Cash received from investment gain		269,414.99	663.56
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		2,601,425.59	11,545,815.45
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		1,095,226.00	882,189.00
Cash paid for acquisition of investments		–	3,000.00
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		1,095,226.00	885,189.00
Net cash flows from investing activities		1,506,199.59	10,660,626.45

Consolidated Cash Flow Statement

2021

Item	Note	2021	2020
III. Cash flows from financing activities:			
Cash received from capital injection		12,000,000.00	13,500,000.00
Of which: Cash received from capital injection by minority shareholders of subsidiaries		—	—
Cash received from borrowings		8,500,000.00	—
Cash received from insurance of bonds		—	—
Other cash received relating to financing activities	VI,42	33,078,392.08	2,547,520.84
Subtotal of cash inflows from financing activities		53,578,392.08	16,047,520.84
Cash paid for repayment of debts		—	—
Cash paid for distribution of dividends, profits or repayment of interests		47,070.84	113,519.28
Of which: Dividends and profits paid to minority shareholders by subsidiaries		—	—
Other cash paid relating to financing activities	VI,42	26,976,772.86	11,107,919.12
Subtotal of cash outflows for financing activities		27,023,843.70	11,221,438.40
Net cash flows from financing activities		26,554,548.38	4,826,082.44
IV. Effect of foreign exchange rate changes on cash and cash equivalents		44,365.00	719.50
V. Net increase in cash and cash equivalents		2,123,816.80	(3,609,832.10)
Add: Beginning balance of cash and cash equivalents		2,065,197.50	5,675,029.60
VI. Ending balance of cash and cash equivalents		4,189,014.30	2,065,197.50

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Cash Flow Statement of Parent Company

2021

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

Unit: RMB

Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		7,992,451.10	3,207,603.82
Taxes and surcharges refunded		-	-
Other cash received relating to operating activities		188,815.31	656,841.25
Subtotal of cash inflows from operating activities		8,181,266.41	3,864,445.07
Cash paid for purchase of goods and receipt of services		11,928,706.15	5,319,015.99
Cash paid to and for employees		6,454,150.50	5,482,906.12
Taxes and surcharges paid		31,974.02	17,935.77
Other cash paid relating to operating activities		6,572,029.40	5,536,558.36
Subtotal of cash outflows for operating activities		24,986,860.07	16,356,416.24
Net cash flows from operating activities		(16,805,593.66)	(12,491,971.17)
II. Cash flows from investing activities:			
Cash received from disposal of investment		-	-
Cash received from investment gain		-	-
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 purchase and construction of fixed assets, intangible assets and other long-term assets		574,689.00	70,640.00
Cash paid for acquisition of investments		3,200,000.00	-
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		3,774,689.00	70,640.00
Net cash flows from investing activities		(3,774,689.00)	(70,640.00)
III. Cash flows from financing activities:			
Cash received from capital injection		12,000,000.00	13,500,000.00
Cash received from borrowings		3,500,000.00	-
Cash received from issuance of bonds		-	-
Other cash received relating to financing activities		41,286,322.02	17,228,100.00
Subtotal of cash inflows from financing activities		56,786,322.02	30,728,100.00
Cash paid for repayment of debts		-	-
Cash paid for distribution of dividends, profits or repayment of interests		-	-
Other cash paid relating to financing activities		36,107,306.53	18,314,730.37
Subtotal of cash outflows for financing activities		36,107,306.53	18,314,730.37
Net cash flows from financing activities		20,679,015.49	12,413,369.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(80,181.90)	(1,504.70)
V. Net increase in cash and cash equivalents		18,550.93	(150,746.24)
Add: Beginning balance of cash and cash equivalents		462,677.37	613,423.61
VI. Ending balance of cash and cash equivalents		481,228.30	462,677.37

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Statement of Changes in Shareholders' Equity

2021

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

Unit: RMB

Item	Shareholders' equity attributable to the parent company												Minority shareholders' equity	Total shareholders' equity	
	Share Capital	Preferred shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
I. Closing balance of last year	189,762,900.00	-	-	-	182,569,046.27	-	-	-	16,435,819.34	-	(346,442,138.02)	-	42,325,627.59	2,615,923.87	44,941,551.46
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger of businesses under same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the year	189,762,900.00	-	-	-	182,569,046.27	-	-	-	16,435,819.34	-	(346,442,138.02)	-	42,325,627.59	2,615,923.87	44,941,551.46
III. Changes for the year ("I" for decrease)	-	-	-	-	-	-	-	-	-	-	(22,660,963.72)	-	(22,660,963.72)	(12,394.91)	(22,673,358.63)
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	(22,660,963.72)	-	(22,660,963.72)	(12,394.91)	(22,673,358.63)
(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 recognised as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year	189,762,900.00	-	-	-	182,569,046.27	-	-	-	16,435,819.34	-	(369,103,101.74)	-	19,664,663.87	2,603,528.96	22,268,192.83

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Statement of Changes in Shareholders' Equity

2021

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

Unit: RMB

2020															
Shareholders' equity attributable to the parent company															
Item	Share Capital	Preferred shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal	Minority shareholders' equity	Total shareholders' equity
I. Closing balance of last year	169,762,900.00	-	-	-	160,569,046.27	-	-	-	16,435,819.34	-	(312,249,722.09)	-	34,518,043.52	3,075,930.89	37,599,914.41
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger of businesses under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the year	169,762,900.00	-	-	-	160,569,046.27	-	-	-	16,435,819.34	-	(312,249,722.09)	-	34,518,043.52	3,075,930.89	37,599,914.41
III. Changes for the year ("+" for increase)	20,000,000.00	-	-	-	22,000,000.00	-	-	-	-	-	(34,192,415.93)	-	7,807,584.07	(460,007.02)	7,347,577.05
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	(34,192,415.93)	-	(34,192,415.93)	(346,487.74)	(34,538,903.67)
(II) Capital invested and reduction by shareholders	20,000,000.00	-	-	-	22,000,000.00	-	-	-	-	-	-	-	42,000,000.00	-	42,000,000.00
1. Common shares invested by shareholders	20,000,000.00	-	-	-	22,000,000.00	-	-	-	-	-	-	-	42,000,000.00	-	42,000,000.00
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognized as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(113,519.28)	(113,519.28)
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(113,519.28)	(113,519.28)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Elimination of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from charges in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year	189,762,900.00	-	-	-	182,569,046.27	-	-	-	16,435,819.34	-	(346,442,138.02)	-	42,325,627.59	2,615,923.87	44,941,551.46

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Statement of Changes in Shareholders' Equity of the Parent Company

2021

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

Unit: RMB

Item	2021											
	Share Capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Closing balance of last year	189,762,900.00	-	-	-	180,460,762.84	-	-	-	16,435,819.34	(328,885,864.90)	-	57,773,617.28
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the year	189,762,900.00	-	-	-	180,460,762.84	-	-	-	16,435,819.34	(328,885,864.90)	-	57,773,617.28
III. Changes for the year ("I" for decrease)	-	-	-	-	-	-	-	-	-	(36,028.17)	-	(36,028.17)
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	(36,028.17)	-	(36,028.17)
(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 recognised as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholder	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-
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 during the year	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation during the year	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year	189,762,900.00	-	-	-	180,460,762.84	-	-	-	16,435,819.34	(328,921,893.07)	-	57,737,589.11

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Statement of Changes in Shareholders' Equity of the Parent Company

2021

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

Unit: RMB

Item	2020											
	Share Capital	Preferred shares	Other equity instruments 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 last year	169,762,900.00	-	-	-	158,460,762.84	-	-	-	16,435,819.34	(313,564,389.65)	-	31,095,092.53
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the year	169,762,900.00	-	-	-	158,460,762.84	-	-	-	16,435,819.34	(313,564,389.65)	-	31,095,092.53
III. Changes for the year ("I" for decrease)	20,000,000.00	-	-	-	22,000,000.00	-	-	-	-	(15,321,475.25)	-	26,678,524.75
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	(15,321,475.25)	-	(15,321,475.25)
(II) Capital invested and reduction by shareholders	20,000,000.00	-	-	-	22,000,000.00	-	-	-	-	-	-	42,000,000.00
1. Common shares invested by shareholders	20,000,000.00	-	-	-	22,000,000.00	-	-	-	-	-	-	42,000,000.00
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognised as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholder	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-
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 during the year	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation during the year	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year	189,762,900.00	-	-	-	180,460,762.84	-	-	-	16,435,819.34	(328,885,864.90)	-	57,773,617.28

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

I. BASIC INFORMATION OF THE COMPANY

Incorporated and established on 13 October 1999, Xi'an Haitian Antenna Technologies Co., Ltd. (hereinafter referred to as the Company, Haitian Antenna and/or collectively referred to as the Group, if it includes any subsidiary) is a joint stock limited company with limited liabilities (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, High-tech Industrial Development Zone, Xi'an, legally represented by Xiao Bing, with both registered capital and share capital of RMB189,762,900.

The H shares issued by the Company have been listed on GEM of the Hong Kong Stock Exchange from 5 November 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 Group's consolidated financial statements cover 11 second-level subsidiaries, including 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), Xi'an Haitian Marine Technologies Co., Ltd. (hereinafter referred to as Haitian Marine), Xi'an Haitian Automotive Electronics Technologies Co., Ltd. (hereinafter referred to as Haitian Automotive), Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd. (hereinafter referred to as Haitian Aviation), Beijing Hailan Taihang Technologies 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 Technologies (Hongkong) Limited (hereinafter referred to as Haitian Hongkong), and 3 third-level subsidiaries, including Yixian Hailan Natural Agricultural Development Co., Ltd. (hereinafter referred to as Yixian Hailan), Xi'an Haitian Chuangyao Communication System Engineering Co., Ltd. (hereinafter referred to as Haitian Chuangyao) and Heinz (Hong Kong) Light Aviation Engines Limited (hereinafter referred to as Heinz Hongkong). Compared with the last year, there was no change this year.

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

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

On the going-concern basis, the financial statements of the Group 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 GEM Listing Rules of Hong Kong Stock Exchange, and accounting policies and accounting estimates stated in “IV. Significant Accounting Policies and Accounting Estimates” of the Notes.

2. Going concern

As of 31 December 2021, the current liabilities in the Group’s consolidated financial statements were higher than the current assets by RMB51,500,621.59. The Company increased capital flow through shareholder financial support, equity financing, debt financing and active expansion on its new antenna business. As of the date of the financial report, the Group had a large number of unfulfilled orders, and the newly developed products of the Company had a broad market prospect, which can guarantee sufficient operating cash flow.

In view of the above, the management of the Company believes that the Company is capable to repay its maturing debts and maintain the continuous operation of the Group. The financial statements of the Group are prepared on the basis of going concern assumption.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group has adopted the accounting policies and accounting estimates specific to the characteristics of its actual production and operation, including the business cycle, recognition and measurement of the bad debts provision for receivables, measurement of inventory dispatched, classification and depreciation of fixed assets, amortisation of intangible assets, recognition and measurement of revenue and others.

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 1 January to 31 December 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.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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 Group, 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. by the Group for obtaining the control right of the acquiree and various direct expenses in business combination (in the business merger realised 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 recognised 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 Group 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 unrealised 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 flow 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 last 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.

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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 flow 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 gain. 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.

Notes to the Financial Statements

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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 gain 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 recognised in the other comprehensive income in the consolidated financial statements and transferred into the current profit and loss when losing control right.

7. 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 business and translation of foreign currency financial 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. 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 capitalisation conditions, and such exchange balances shall be treated as per the principles of capitalisation.

(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. Translation balance in the foreign currency statements arising from translations above shall be presented in items of other comprehensive income. Foreign currency cash flow shall be translated at the spot rate on the date that cash flow occurs. 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 recognise 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 amortised 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 amortised 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 recognised amount; and the subsequent measurement will be conducted at the amortised cost. Such financial assets that are not part of any hedging relationship shall be included in the current profit and loss according to the effective interest method amortization, impairment, exchange gains and losses, and gains or losses arising from derecognition.

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 recognised amount. All gains or losses arising from such financial assets that are not part of any hedging relationship, 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 derecognised, 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.

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1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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 recognizes interest income according to the effective interest method. Interest income is calculated and determined by multiplying the book balance of the financial asset by the actual interest rate, except for the following cases: (1) For the purchased or originated financial assets that have suffered credit impairment, from the initial recognition, the amortized cost of the financial asset and the historical value of the financial asset are calculated and determined. A credit-adjusted effective interest rate calculation determines its interest income. (2) For the purchased or originated financial assets that have not incurred credit impairment but become credit impaired in the subsequent period, in the subsequent period, the interest income shall be calculated and determined according to the amortized cost and actual interest rate of the financial asset.

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 Group designates shall be initially measured at the fair value, and the relevant transaction expenses shall be included in the initially recognised 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 derecognised, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive incomes and included in retained earnings.

The Group will classify the financial assets other than the above financial assets measured at the amortised 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.

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

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

(1) Financial assets *(Continued)*

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

The Group will derecognise 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 Group has transferred almost all risks and rewards related to the ownership of the financial assets; and (3) the financial assets are transferred, and the Group 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 the derecognition conditions, the difference between the book value of transferred financial asset on the date of derecognition 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 derecognised part (the financial assets involved in the transfer also meet the following conditions: the group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of interest based on the principal amount) shall be included in the current profits and losses.

If the partial transfer of the financial assets meets the derecognition conditions, the entire book value of the transferred financial assets shall be amortised at their own relative fair values between the derecognised part and the under recognised part, and the difference between the sum of consideration received from the transfer and the amount which should be amortised to the derecognised part, originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognised part (the financial assets involved in the transfer also meet the following conditions: the group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of interest based on the principal amount) and the entire book value of the aforesaid financial assets amortised shall be included in the current profits and losses.

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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.

- 1 The financial liability at fair value through current profits and losses (including derivatives that are financial liabilities) is measured subsequently, including financial liabilities held for trading and financial liabilities designated at fair value through current profits and losses when initially recognizing. 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.
- 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. Such financial liabilities are measured by the Group in accordance with the relevant standards for the transfer of 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. The Group, as the issuer of such financial liabilities, measures after initial recognition at the higher of the amount of the loss allowance determined in accordance with the provisions of the relevant standard on impairment of financial instruments and the amount initially recognized less accumulated amortization determined in accordance with the relevant provisions of the income standard.

The Group accounts for financial liabilities arising from contingent consideration recognized as a purchaser in a business combination not under common control at fair value through profit or loss.

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 derecognised. Where the Group 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 recognise the new financial liability. Substantial adjustments by the Group 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 derecognised and consideration paid shall be included in the current profits and losses.

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

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

(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.

(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 Group has a legal right to offset the recognised amount and that such legal rights are currently enforceable; and (2) The Group 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 Group 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 Group's own equity instrument, the Group's own equity instrument used for settling such instrument shall be considered as a 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 Group 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 Group'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.

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

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

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

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 recognised.

10. Notes receivable

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

The Group 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 Group 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 Group 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 Group, 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 Group 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 flow receivable according to the contract and discounted according to the original effective interest rate and all cash flow receivable, that is, the present value of all cash shortages.

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

10. Notes receivable *(Continued)*

As per the actual credit losses of previous years, taking into account the forward-looking information of the year, the Group 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.

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 recognised and the provision for bad debts is made, by the difference between the book balance and the present value of the estimated future cash flow 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 cost at single instrument level, the Group 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 Group 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 provision for impairment of the current accounts receivable, the Group will recognise 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.

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

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".

13. Inventories

The Group's inventories mainly includes raw materials, products in process, turnover materials, goods delivered, finished goods, consumable biological assets, 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.

Consumable biological assets are meatballs. The cost of consumable biological assets includes feed costs, labor costs, depreciation costs of fixed assets that should be allocated and other indirect costs that should be allocated before reaching the saleable state.

At the end of the period, inventories are valued at the lower one of cost and net realisable 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 impairment. The provision for inventory impairment of finished goods and bulk raw materials shall be made at the difference between the cost of a single inventory item and its net realisable value; the provision for inventory impairment of other raw materials and auxiliary materials in large quantity and at low unit prices shall be made by category.

For the finished goods, goods delivered, products in process, materials for sale and other merchandise inventories directly for sale, the net realisable values thereof shall be recognised 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 realisable values thereof shall be recognised 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.

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

14. Contractual assets *(Continued)*

(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 above related 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 provision for impairment, the Group will recognise the difference as impairment loss, debit "credit impairment loss" and credit "contractual asset provision for impairment". On the contrary, the Group recognises 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.

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 recognised 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 recognised as an asset; and if the amortisation 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) Amortisation of assets related to contract costs

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

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

15. Contract cost *(Continued)*

(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 recognised 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 provision for impairment shall be made for the excess and recognised 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 provision for impairment 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 provision for impairment is made.

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.

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

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

For equity in an investee under common control obtained in stages through multiple transactions, which results in business combination, 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 longterm 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 recognised as initial investment cost.

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 of the investment. If the equity held before the purchase date were designated as non-trading equity instruments at fair value through other comprehensive income, the cumulative gain or loss of the equity originally included in other comprehensive income shall not be transferred to the current profit and loss.

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 recognised as the current investment profits as per the amount enjoyed.

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

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

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 recognising 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 unrealised internal transaction incurred between the joint venture and associate, then recognise the net profit of the investee after adjustment.

On the disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment gain for the period. For long-term equity investments accounted for by the equity method, the relevant other comprehensive income accounted for by the original equity method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method is terminated. The owner's equity recognised by changes in other owner's equity other than profit and loss, other comprehensive income and profit distribution shall be all transferred to the current investment gain when the equity method is terminated.

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 shall be calculated by the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7), 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 recognised 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, and carried forward in proportion. Owner's equity recognized as a result of changes in the investee's ownership interest other than net profit or loss, other comprehensive income and profit distribution should be transferred proportionately to current investment income.

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 gain. 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 Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7) 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 recognised in the other comprehensive income and then wholly transferred into the current profit and loss when losing control right.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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 are recognised when it is highly probable of economic benefits inflow to the Group and their costs can be measured reliably. The Group’s fixed assets include buildings, machinery, transportation equipment, office equipment, and others.

Other than fixed assets that are fully depreciated and remain in use as well as land that is separately measured and accounted, the Group provides depreciation for all fixed assets. The Group provides depreciation under the straight line method. The classified depreciation life, estimated net residual value rate and depreciation rate in aspect to various fixed assets of the Group 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.

18. Projects under construction

Projects 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.

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 capitalised 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 capitalisation requirements are acquired or constructed to be ready for intended use or selling, the capitalisation shall be terminated, and the borrowing costs incurred subsequently shall be included in the current profits and losses. If assets satisfying capitalisation conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalisation of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

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

19. Borrowing costs *(Continued)*

The actually incurred interest costs of special borrowings in current period shall be capitalised after the interest income from deposits in banks or investment income from temporary investment with the unused borrowings is deducted from it. The capitalised 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 capitalisation rate of general borrowings used. The capitalisation 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.

1) *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-use 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.

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

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

(2) Subsequent measurement *(Continued)*

2) Impairment of right-to-use asset

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 patent rights, non-patented technology, prototype in development, software, 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 recognised as actual cost, except value agreed in the contract or agreement is unfair, in such case, the actual cost shall be recognised at fair value. For intangible assets acquired by the acquiree in a merger not under the common control, but not recognised in its financial statements, the assets of the acquiree are initially recognised as intangible assets at fair value.

Patent rights and other intangible assets shall be amortised at average based on the estimated useful life from the acquisition date to the expiry date; intangible assets such as non-patented technology, prototype in development and software shall be amortised 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. Amortised 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 amortisation 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. The classified amortisation life of the Group's intangible assets as follows:

No.	Type	Amortisation life (year)
1	Prototype in development	5
2	Patent rights	10
3	Non-patented technology	10
4	Software	2-10
5	Others	5

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred.

New product (technology) development expenditures resulted by product (technology) upgrades and improvements on the original technology platform are recognised in the current profit and loss when incurred.

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

21. Intangible assets *(Continued)*

Expenditure on the development phase is capitalised as intangible assets only if all of the following conditions are satisfied, expenditure on the development phase which cannot meet all of the following conditions are recognised in current profit or loss:

- (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the management's intention to complete, use or sell the intangible asset;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Expenditures on research and development which cannot be distinguished between the research phase and development phase are recognised in profit or loss when incurred.

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.

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 flow. 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 flow 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;

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

22. Impairment of long-term assets *(Continued)*

- (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 flow or realised 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.

If the impairment test shows the book value of the asset is more than its recoverable amount, the difference shall be recognised as an impairment loss. Upon confirmation, the above asset's impairment loss will not be reversed in subsequent accounting periods.

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 amortisation period of over 1 year (excluding 1 year). Such expenses shall be equally amortised in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortised value of unamortised items shall be all transferred to the current profit or loss.

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 recognised according to the amount received or receivable when the customer actually makes the payment and payment due.

25. Employee compensation

Employee compensation includes short-term compensation, post-employment benefits, termination benefits, and other long-term benefits.

Short-term compensation mainly 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 pay, etc. During the accounting period when employees provide services, the actual short-term compensation is recognised as liability and included in the current profit and loss or the cost of related assets according to the beneficiary.

Post employment benefits including the endowment insurance, and unemployment insurance, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Company. As for defined contribution plan under which the Group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognised as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

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

25. Employee compensation *(Continued)*

- (1) Domestic companies affiliated to the Group:
The Group participates in the pension insurance and unemployment insurance plans established by government agencies as required. According to the regulations of these plans, the Group pays 16% and 0.7% (2020: 16% and 0.7%) of the basic wages of employees to such plans on a monthly basis, respectively. Wait for the plan to pay the fee. In addition to the above-mentioned deposit fees, the Group will not undertake any further payment obligations, nor can it use the forfeited contributions. Corresponding expenses are included in the current profit and loss or related asset costs when incurred.
- (2) Hong Kong company affiliated to the Group:
The Group's companies established in Hong Kong participate in the Mandatory Provident Fund Scheme ("MPF Scheme"), to which the Group contributes 5% (2020: 5%) of the basic salaries of its employees, and the assets of the MPF Scheme are held separately from those of the Group in a fund controlled by the trustee. Contributions made by the Company to the MPF Scheme will be received by employees in accordance with statutory requirements and the terms of the scheme. If an employee leaves the MPF Scheme before the contributions have reached full vesting, the future amount payable by the Group to the MPF Scheme will be reduced by the amount forfeited to the MPF Scheme. There are no forfeited MPF scheme amounts for the year (2020: Nil) and year end date (2020: Nil).

Dismissal benefits 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.

Other long-term employee benefits refer to the employee benefits except for short-term benefits, postemployment 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 by the Group according to the fixed periodic rate, and included in the current profits and losses, except for those should be capitalised. 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.

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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 present value of the changed lease payment, 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 (in this case, discounted using a revised discount rate); (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 principles and measurement

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

The Group recognises 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 recognised by the Group does not exceed the amount that is very likely to cause no significant write-back of the accumulated recognised 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 amounts payable in cash when the customer obtains control of the goods or services. The difference between the transaction price and the contract consideration is amortised 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.
- (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.

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

27. Revenue recognition principles and measurement *(Continued)*

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 input method. When the performance progress cannot be reasonably determined, if the cost incurred by the Group can be expected to be compensated, revenue is recognised 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 recognises 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.

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 recognised 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 recognised as deferred incomes.

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

28. Government subsidy *(Continued)*

Asset-related government subsidies recognised 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 recognised 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 recognised; 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 income.

29. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities of the Group are calculated and recognised based on the difference between tax bases and carrying amounts of assets and liabilities (temporary differences). Deferred income tax asset is recognised for the deductible losses that are deductible against taxable profit in subsequent years in accordance with the requirements under tax laws. No deferred tax liability is recognised for temporary difference arising from initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognised for a temporary difference arising from initial recognition of asset or liability due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). As at balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates for the period when the asset is expected to be realised or the liability is expected to be settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available to deduct from the deductible temporary difference, deductible losses and tax credits.

30. 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 nonleased parts, the Group separates the leased and non-leased parts for accounting treatment.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Lease (Continued)

(2) The Group as the lessee

1) Lease confirmation

At the beginning of the lease term, the Group recognises the right-of-use assets and lease liabilities for the lease. For the recognition and measurement of right-of-use assets and lease liabilities, please refer to Note IV "20. Right-of-use assets" and "26. Lease liabilities".

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 expansion of lease scope or 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.

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 recognise 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.

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

30. Lease *(Continued)*

(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.

1) *Accounting treatment method of financial lease* Initial measurement:

At the beginning of the lease term, the Group recognises financial lease receivables for financial leases and ceases to recognise 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.

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

30. Lease *(Continued)*

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

1) Accounting treatment method of financial lease *(Continued)*

Subsequent measurement:

The Group calculates and recognises 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.

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 recognise 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 straightline method/other reasonable method. Rent incomes shall be recognised during the rentfree 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 capitalised 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.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

30. Lease (Continued)

(3) The Group as the lessor (Continued)

2) Accounting treatment of operating lease (Continued)

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 amortisation.

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 advanced lease receipts or lease receivables related to the lease before the change as the new lease receipts.

31. Change of significant accounting policy and accounting estimates

(1) Change of significant accounting policy

None.

(2) Change of significant accounting estimates

None.

V. TAXATION

1. Major taxes and tax rates

Tax type	Taxation basis	Tax rate (%)
Mainland China corporate income tax		
– VAT	Sales of products, property lease	13.00%, 9.00%, 5.00%
– Urban maintenance and construction tax	Turnover tax payable	7.00%, 5.00%
– Corporate income tax	Taxable incomes	25.00%, 20.00%, 15.00%
– Education surcharge	Turnover tax payable	3.00%
– Local education surcharge	Turnover tax payable	2.00%
China Hong Kong profit tax	Taxable incomes	16.50%

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

V. TAXATION

1. Major taxes and tax rates (Continued)

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%
Xi'an Haitian Chuangyao Communication System Engineering Co., Ltd.	25.00%
Haitian Antenna (Shanghai) International Trade Co., Ltd.	25.00%
Yixian Hailan Natural Agricultural Development Co., Ltd.	20.00%
Xi'an Haitian Marine Technologies Co., Ltd.	25.00%
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	25.00%
Xi'an Haitian Automotive Electronics Technologies Co., Ltd.	25.00%
Beijing Hailan Taihang Technologies Development Co., Ltd.	25.00%
Wuxi Shanshui Haitian Network Technologies Co., Ltd.	25.00%
Shaanxi Haitian Luotai Aviation Light Engine Technologies Co., Ltd.	25.00%
Suzhou Haitian New Antenna Technologies Co., Ltd.	15.00%
Haitian Antenna Technologies (Hongkong) Limited	16.50%
Heinz (Hong Kong) Light Aviation Engines Limited	16.50%

2. Tax incentives

The corporate income tax rate applicable to the Company is 15.00%. The Company obtained the "Hightech Enterprise Certificate", No. GR202161000247, on 14 October 2021 with a validity period of 3 years. According to Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", the 2021 corporate income tax is calculated and paid at the preferential tax rate of 15.00% for high-tech enterprises after filing and confirmation with the competent tax authority.

The corporate income tax rate applicable to Suzhou Haitian, a subsidiary of the Company, is 15.00%. The Company obtained the "High-tech Enterprise Certificate", No. GR20202008277 on 21 September 2020 with a validity period of 3 years. According to Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", the 2021 corporate income tax is calculated and paid at the preferential tax rate of 15.00% for high-tech enterprises after filing and confirmation with the competent tax authority.

The following preferential tax policies are applicable to the our subsidiary Yixian Hailan: (1) According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Exemption of Certain Value-added Tax Policies for the Circulation of Fresh Meat and Eggs (Caishui [2012] No. 75), Provision 1 of the document requires: Some fresh meat and egg products sold by taxpayers engaged in the wholesale and retail of agricultural products are exempted from value-added tax. The fresh meat and egg products sold by the Yixian Hailan are exempted from value-added tax. (2) According to Article 27, Provision 1 of the "Enterprise Income Tax Law of the People's Republic of China" requires, enterprises engaging in agricultural, forestry, animal husbandry, and fishery projects are exempted from corporate income tax or enjoy reduced corporate income tax. The Yixian Hailan's broiler husbandry business belongs to the "raising of livestock and poultry" and enjoys the preferential policy of exemption from corporate income tax; (3) According to the documents of the Ministry of Finance and the Taxation Bureau (Caishui (2019) No.13), from 1 January 2019 to 31 December 2021, for small and low-profit enterprises whose annual taxable income does not exceed RMB1 million, a reduction of 25.00% is included in the taxable income, and the income tax rate for paying corporate income tax is 20.00%. The non-broiler husbandry sales income of the Yixian Hailan is subject to this regulation for paying income tax.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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 1 January 2021; “closing” means 31 December 2021; “the year” means the year from 1 January to 31 December 2021; the “last year” means the year from 1 January to 31 December 2020. Unless otherwise specified, the currency unit is in RMB.

1. Cash at bank and on hand

(1) Items of cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	21,610.37	39,866.85
Bank deposits	4,091,841.17	1,941,186.76
Other monetary capitals	257,931.54	84,143.89
Total	4,371,383.08	2,065,197.50
Of which: Amount deposited overseas	144,946.34	217,930.01

Note 1: The total amount deposited overseas by the headquarter is RMB22,143.52, including HKD3,731.89, equivalent to RMB3,051.19; USD2,989.84, equivalent to RMB19,062.32; and RMB30.01.

Note 2: The total amount deposited overseas by the Hong Kong company was RMB122,802.82, including RMB6,447.51; HKD102,749.14, equivalent to RMB84,007.69; USD5,073.58, equivalent to RMB32,347.62.

(2) Use of restricted cash at bank and on hand

Items	Closing balance	Opening balance
Suspended account	10,319.66	–
Margin account	172,049.12	–
Total	182,368.78	–

2. Financial assets held for trading

Items	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	2,000.00	2,334,010.60
Of which: Investment in equity instruments	2,000.00	2,334,010.60
Total	2,000.00	2,334,010.60

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Accounts receivable

(1) Accounts receivable presented by bad debts provision method

Type	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts ratio (%)	
Provision for bad debts					
by single item	7,890,117.65	29.25	7,890,117.65	100.00	–
Provision for bad debts					
by portfolio	19,082,444.68	70.75	691,001.04	3.62	18,391,443.64
Of which: Aging portfolio	18,370,282.64	68.11	691,001.04	3.76	17,679,281.60
Low-risk					
portfolio	712,162.04	2.64	–	–	712,162.04
Total	26,972,562.33		8,581,118.69		18,391,443.64

(Table continued)

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts ratio (%)	
Provision for bad debts					
by single item	8,145,117.70	78.61	8,145,117.70	100.00	–
Provision for bad debts					
by portfolio	2,216,609.80	21.39	51,198.64	2.31	2,165,411.16
Of which: Aging portfolio	2,054,748.80	19.83	51,198.64	2.49	2,003,550.16
Low-risk					
portfolio	161,861.00	1.56	–	–	161,861.00
Total	10,361,727.50		8,196,316.34		2,165,411.16

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Accounts receivable (Continued)

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

1) Provision for bad debts of accounts receivable by single item

Name	Book balance	Closing balance		Reason for provision
		Provision for bad debts	Provision ratio (%)	
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		

2) Provision for bad debts of accounts receivable by portfolio Aging portfolio

Aging	Book balance	Closing balance	
		Provision for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	17,781,874.64	533,456.24	3.00
1-2 years	391,000.00	39,100.00	10.00
3-4 years	197,408.00	118,444.80	60.00
Total	18,370,282.64	691,001.04	

Other portfolio

Portfolio name	Book balance	Closing balance	
		Provision for bad debts	Provision ratio (%)
Low-risk portfolio	712,162.04	–	–

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Accounts receivable *(Continued)*

(2) Accounts receivable presented by aging

The ageing analysis of the accounts receivable (including accounts receivable by related parties) based on transaction date is as follows:

Aging	Closing balance
Within 1 year (including 1 year)	18,494,036.68
1-2 years	391,000.00
3-4 years	197,408.00
Over 5 years	7,890,117.65
Total	26,972,562.33

(3) Provision for bad debts of accounts receivable for the year

Type	Opening balance	Amount of changes for the year			Others	Closing balance
		Provision	Recovered or written-back	Charge-off or write-off		
Provision for bad debts	8,196,316.34	639,802.40	255,000.05	-	-	8,581,118.69

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

Entity name	Amount recovered or written back	Recovery method	Recovery or write-back reason
Xi'an Haitian Hi-tech Power Co., Ltd.	255,000.05	Bank receipt	Recovered amount

(4) Account receivables actually written off during the year

None.

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

The aggregate amount of the accounts receivable of top 5 debtors by closing balance for the year amounted to RMB18,214,474.16, accounting for 67.53% of the balance of total accounts receivable as at the end of the year. The aggregate balance of corresponding provision for bad debts as at the end of the year amounted to RMB6,832,034.23.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

4. Advanced payments

(1) Aging of advanced payments

Aging	Closing balance			Opening balance		
	Book balance	Proportion (%)	Provision for bad debts	Book balance	Proportion (%)	Provision for bad debts
	Amount			Amount		
Within 1 year	327,384.42	9.69	–	666,160.57	17.97	–
1-2 years	10,150.00	0.30	–	40,150.00	1.08	–
2-3years	40,150.00	1.19	–	–	–	–
Over 3 years	3,000,552.55	88.82	3,000,552.55	3,000,552.55	80.95	3,000,552.55
Total	3,378,236.97	100.00	3,000,552.55	3,706,863.12	100.00	3,000,552.55

1) Significant advanced 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.	3,000,552.55	Over 3 years	Agreement change, goods not yet received, the impairment provision has been fully accrued

(2) Advanced payments of top 5 recipients by closing balance

The aggregate amount of advanced payment of top 5 recipients by closing balance for the year amounted to RMB3,237,870.79, accounting for 95.84% of the balance of total advanced payments as at the end of the year.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

5. Other receivables

Items	Closing balance	Opening balance
Interest receivable	–	–
Dividends receivable	–	–
Other receivables	2,220,494.70	2,074,844.67
Total	2,220,494.70	2,074,844.67

(1) Classification of other receivables by nature

Nature of fund	Closing book balance	Opening book balance
Deposits and security fund	1,787,827.41	1,136,675.04
Current accounts	482,128.12	173,607.26
Provisional deposit	313,293.68	841,720.51
Total	2,583,249.21	2,152,002.81

(2) Provision for bad debts of other receivables

Provision for bad debts	Stage 1 Expected credit losses over the next 12 months	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 1 January 2021	–	27,595.00	49,563.14	77,158.14
Book balance of other receivables at 1 January 2021 for the year	–	–	–	–
Provision for the year	–	(14,403.63)	300,000.00	285,596.37
Balance at 31 December 2021	–	13,191.37	349,563.14	362,754.51

(3) Other receivables presented by aging

Aging	Closing balance
Within 1 year (including 1 year)	1,629,331.28
1-2 years	119,158.02
2-3 years	64,563.14
3-4 years	443,385.60
4-5 years	326,811.17
Total	2,583,249.21

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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	Amounts of changes for the year			Closing balance
		Provision	Recovered or written-back	Write-off or charge-off	
Provision for bad debts	77,158.14	285,596.37	-	-	362,754.51

(5) Other receivables actually written off during the year

None.

(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 provision for bad debts
Changshu Dongfei Warehousing & Logistics Co., Ltd.	Deposit	440,385.60	3-4 years	17.05	-
Shanghai Shen Hang Import & Export Co., Ltd.	Deposit	300,000.00	4-5 years	11.61	300,000.00
Yi County Lianggang Town Dailan Village An unit of the People's Liberation Army	Current accounts	186,480.72	0-2 years Within	7.22	8,148.07
Tourism Investment Group (HK)	Tender deposit	180,000.00	1 year	6.97	-
	Deposit	72,677.30	4-5 years	2.81	-
Total		1,179,543.62		45.66	308,148.07

(7) Employee Loans Receivables

None.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

6. Inventories

(1) Inventory category

Items	Book balance	Closing balance	
		Provision for inventory impairment/ Provision for impairment of contract performance cost	Book value
Raw materials	2,436,618.92	396,797.55	2,039,821.37
Goods in process	1,266,107.81	–	1,266,107.81
Inventory goods	7,108,830.20	921,381.92	6,187,448.28
Turnover materials	20,206.32	–	20,206.32
Goods delivered	4,592,888.42	–	4,592,888.42
Total	15,424,651.67	1,318,179.47	14,106,472.20

(Table continued)

Items	Book balance	Opening balance	
		Provision for inventory impairment/ Provision for impairment of contract performance cost	Book value
Raw materials	1,587,508.12	112,025.60	1,475,482.52
Goods in process	2,203,172.68	–	2,203,172.68
Inventory goods	3,636,864.04	211,501.19	3,425,362.85
Turnover materials	22,845.54	–	22,845.54
Goods delivered	716,365.69	–	716,365.69
Total	8,166,756.07	323,526.79	7,843,229.28

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

6. Inventories (Continued)

(2) Provision for inventory impairment and Provision for impairment of contract performance cost

Items	Opening balance	Increase for the year		Decrease for the year		Closing balance
		Provision	Others	Reversal or resale	Others	
Raw materials	112,025.60	284,771.95	–	–	–	396,797.55
Inventory goods	211,501.19	709,880.73	–	–	–	921,381.92
Total	323,526.79	994,652.68	–	–	–	1,318,179.47

7. Other current assets

Items	Closing balance	Opening balance
Input tax pending deduction	813,415.26	1,048,655.53

8. Fixed assets

Items	Closing book value	Opening book value
Fixed assets	6,517,570.17	6,152,972.24
Disposal of fixed assets	–	–
Total	6,517,570.17	6,152,972.24

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

8. Fixed assets (Continued)

(1) Fixed assets

Items	Houses & buildings	Machinery and equipment	Transportation vehicles	Office equipment	Total
I. Original book value					
1. Opening balance	2,283,510.82	3,755,378.84	3,771,518.21	4,112,811.50	13,923,219.37
2. Increase for the year	-	2,986,429.12	-	904,140.96	3,890,570.08
(1) Purchase	-	712,924.85	-	904,140.96	1,617,065.81
(2) Transfer from projects under construction	-	2,273,504.27	-	-	2,273,504.27
3. Decrease for the year	-	59,829.06	-	725,421.93	785,250.99
(1) Disposal or scrapping	-	59,829.06	-	725,421.93	785,250.99
4. Closing balance	2,283,510.82	6,681,978.90	3,771,518.21	4,291,530.53	17,028,538.46
II. Accumulated depreciation					
1. Opening balance	294,582.88	1,214,976.29	2,698,857.76	3,561,830.20	7,770,247.13
2. Increase for the year	108,466.92	490,770.72	501,623.61	224,359.49	1,325,220.74
(1) Provision	108,466.92	490,770.72	501,623.61	224,359.49	1,325,220.74
3. Decrease for the year	-	40,647.90	-	689,150.82	729,798.72
(1) Disposal or scrapping	-	40,647.90	-	689,150.82	729,798.72
4. Closing balance	403,049.80	1,665,099.11	3,200,481.37	3,097,038.87	8,365,669.15
III. Provision for impairment					
1. Opening balance	-	-	-	-	-
2. Increase for the year	-	2,145,299.14	-	-	2,145,299.14
(1) Provision	-	2,145,299.14	-	-	2,145,299.14
3. Decrease for the year	-	-	-	-	-
4. Closing balance	-	2,145,299.14	-	-	2,145,299.14
IV. Book value					
1. Closing book value	1,880,461.02	2,871,580.65	571,036.84	1,194,491.66	6,517,570.17
2. Opening book value	1,988,927.94	2,540,402.55	1,072,660.45	550,981.30	6,152,972.24

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

9. Projects under construction

Items	Closing balance	Opening balance
Projects under construction	–	128,205.13
Engineering materials	–	–
Total	–	128,205.13

(1) Projects under construction

Items	Book balance	Closing balance Provision for impairment	Book value
UAV mold	–	–	–
Antenna-specific equipment	–	–	–
Total	–	–	–

(Table continued)

Items	Book balance	Opening balance Provision for impairment	Book value
UAV mold	2,145,299.14	2,145,299.14	–
Antenna-specific equipment	128,205.13	–	128,205.13
Total	2,273,504.27	2,145,299.14	128,205.13

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

9. Projects under construction (Continued)

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

Project name	Opening balance	Increase for the year	Decrease for the year		Closing balance
			Transfer to fixed assets	Other decrease	
UAV mold	2,145,299.14	-	2,145,299.14	-	-
Antenna-specific equipment	128,205.13	-	128,205.13	-	-
Total	2,273,504.27	-	2,273,504.27	-	-

(Table continued)

Project name	Budget	Proportion of project input in budget (%)	Project progress (%)	Accumulated amount of capitalised interest	Of which:	Capitalisation rate of interest	Source of fund
					Capitalised amount of interest for the year	for the year (%)	
UAV mold	2,145,299.14	100.00	100.00	-	-	-	Self-raised
Antenna-specific equipment	480,000.00	100.00	100.00	-	-	-	Self-raised
Total	2,625,299.14			-	-		

(3) Provision for impairment of projects under construction for the year

None.

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1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

10. Right-of-use assets

Items	Houses and buildings	Land use right	Total
I. Original book value			
1. Opening balance	14,654,889.12	337,714.80	14,992,603.92
2. Increase for the year	–	–	–
(1) Lease	–	–	–
3. Decrease for the year	1,302,320.68	–	1,302,320.68
(1) Disposal	1,225,428.04	–	1,225,428.04
(2) Others	76,892.64	–	76,892.64
4. Closing balance	13,352,568.44	337,714.80	13,690,283.24
II. Accumulated depreciation			
1. Opening balance	5,406,501.73	43,328.78	5,449,830.51
2. Increase for the year	2,643,494.49	18,589.80	2,662,084.29
(1) Provision	2,643,494.49	18,589.80	2,662,084.29
3. Decrease for the year	1,225,428.04	–	1,225,428.04
(1) Disposal	1,225,428.04	–	1,225,428.04
4. Closing balance	6,824,568.18	61,918.58	6,886,486.76
III. Provision for impairment			
1. Opening balance	–	–	–
2. Increase for the year	–	–	–
3. Decrease for the year	–	–	–
4. Closing balance	–	–	–
IV. Book value			
1. Closing book value	6,528,000.26	275,796.22	6,803,796.48
2. Opening book value	9,248,387.39	294,386.02	9,542,773.41

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

11. Intangible assets

(1) Breakdown of intangible assets

Items	Prototype in self-development	Patent	Non-patented technology	Software	Others	Total
I. Original book value						
1. Opening balance	7,377,537.78	102,220,268.51	17,589,612.92	1,947,242.64	250,000.00	129,384,661.85
2. Increase for the year	-	-	-	3,716.81	-	3,716.81
(1) Purchase	-	-	-	3,716.81	-	3,716.81
3. Decrease for the year	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Closing balance	7,377,537.78	102,220,268.51	17,589,612.92	1,950,959.45	250,000.00	129,388,378.66
II. Accumulated amortisation						
1. Opening balance	2,086,031.76	43,586,834.89	17,589,612.92	1,881,993.95	9,259.26	65,153,732.78
2. Increase for the year	-	7,996,104.09	-	20,080.14	55,555.56	8,071,739.79
(1) Provision	-	7,996,104.09	-	20,080.14	55,555.56	8,071,739.79
3. Decrease for the year	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Closing balance	2,086,031.76	51,582,938.98	17,589,612.92	1,902,074.09	64,814.82	73,225,472.57
III. Provision for impairment						
1. Opening balance	5,291,506.02	-	-	-	-	5,291,506.02
2. Increase for the year	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-
3. Decrease for the year	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Closing balance	5,291,506.02	-	-	-	-	5,291,506.02
IV. Book value						
1. Closing book value	-	50,637,329.53	-	48,885.36	185,185.18	50,871,400.07
2. Opening book value	-	58,633,433.62	-	65,248.69	240,740.74	58,939,423.05

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

12. Development expenditure

Items	Opening balance	Increase for the year		Decrease for the year		Other decrease	Closing balance
		Internal development expenditure	Outsourced R&D	Recognised as intangible assets	Transferred to current profit and loss		
Upgrade of lens antenna products	-	5,156,159.94	-	-	5,156,159.94	-	-
Dual-Stream Multi-Beam Cylindrical Dielectric Lens Antenna	-	989,556.29	-	-	989,556.29	-	-
Total	-	6,145,716.23	-	-	6,145,716.23	-	-

13. Long-term deferred expenses

Items	Opening balance	Increase for the year	Amortisation for the year	Other decrease for the year	Closing balance
Fit-out and renovation of office building and production workshop	180,236.65	-	180,236.65	-	-

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

14. Deferred income tax assets and deferred income tax liabilities

(1) Breakdown of unrecognised deferred income tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	26,203,185.22	24,538,133.82
Deductible losses	133,054,653.85	107,056,942.95
Total	159,257,839.07	131,595,076.77

(2) Deductible losses of unrecognised deferred income tax assets expiring in the following years

Year	Closing amount	Opening amount	Remarks
2021	–	15,093,755.05	
2022	6,186,581.90	17,144,712.57	
2023	9,176,042.18	19,237,807.65	
2024	5,849,635.08	26,557,485.82	
2025	9,415,857.09	29,023,181.86	
2026	11,986,666.28	–	
2027	10,602,306.10	–	
2028	12,081,611.23	–	
2029	21,389,857.23	–	
2030	28,122,053.62	–	
2031	18,244,043.14	–	
Total	133,054,653.85	107,056,942.95	

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

15. Other non-current assets

Items	Book balance	Closing balance Provision for impairment	Book value
Advanced payments for purchase of land and above-ground attachments	18,546,000.00	5,503,774.84	13,042,225.16

(Table continued)

Items	Book balance	Opening balance Provision for impairment	Book value
Advanced payments for purchase of land and above-ground attachments	18,546,000.00	5,503,774.84	13,042,225.16

Details of provision for impairment of advanced payments for purchase of land and above-ground attachments for the year are in "Note XVI, 2".

16. Short-term borrowings

(1) Types of short-term borrowings

Types of borrowings	Closing balance	Opening balance
Secured borrowings	3,500,000.00	–
Guaranteed borrowings	5,000,000.00	–
Total	8,500,000.00	–

Note: The Company borrowed a 1-year secured borrowing on 9 December 2021. The collateral is a property, which is an ordinary residential property, located in Room 12205, Building 1, Tianmu Kuoqing, Gaoxin International Business Center, High-tech Zone, Xi'an City. The owners are Xiao Lei and Li Jun; the real estate license number: No. 1075104022-50-1-12205, High-tech Zone, Fangquanzheng, Xi'an City. Suzhou Haitian borrowed short-term borrowings on 19 July 2021 and 16 December 2021 respectively, with a total guaranteed borrowings of RMB5,000,000.00 and a guaranteed amount of RMB5,000,000.00. The guarantors are: Liao Kang, Xiao Bing, Xi'an Haitian Antenna Technology Co., Ltd.. The guarantors constitute a joint and several co-bonding guarantee for the principal claim between themselves.

(2) Overdue short-term borrowings

None.

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1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

17. Accounts payable

(1) Presentation of accounts payable

Items	Closing balance	Opening balance
Trade balance	15,568,840.78	11,358,974.27
Test service payments	770,458.00	-
Total	16,339,298.78	11,358,974.27

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

Entity name	Closing balance	Reason for unsettlement or carrying forward
Xi'an Xiao's Antenna Technologies Co., Ltd.	5,200,000.00	Unpaid
Xi'an Qingjian Plastic Co., Ltd.	517,970.29	Unsettled
Xi'an Maixun Communication Engineering Co., Ltd.	320,183.84	The project is not completed
Chongqing Yuhua Telecommunication Co., Ltd.	158,983.72	Unpaid
西安華昊交通科技有限公司	86,642.74	Unsettled
武漢凌安科技有限公司	50,000.00	Unpaid
西安海特電子儀器有限責任公司	16,000.00	Unpaid
Total	6,349,780.59	

(3) Accounts payable presented by aging

The aging analysis of accounts payable (including accounts payable by related parties) based on transaction date is as follows:

Aging	Closing balance	Opening balance
Within 1 year	9,104,542.34	3,264,389.13
1-2 years	134,973.03	6,711,502.27
2-3 years	5,991,806.63	273,603.50
Over 3 years	1,107,976.78	1,109,479.37
Total	16,339,298.78	11,358,974.27

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

18. Payroll payable

(1) Classification of payroll payable

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Short-term remunerations	3,816,638.74	13,830,355.83	12,680,578.29	4,966,416.28
Post-employment benefits – defined contribution plans	14,677.44	1,173,517.04	1,174,498.85	13,695.63
Total	3,831,316.18	15,003,872.87	13,855,077.14	4,980,111.91

(2) Short-term remunerations

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Wages, bonuses, allowances and subsidies	436,493.02	12,774,729.85	11,539,039.78	1,672,183.09
Staff welfare expenses	–	46,759.96	46,759.96	–
Social insurance premiums	7,353.56	614,631.24	621,961.38	23.42
Of which: Medical insurance premiums	6,563.20	569,921.18	576,484.38	–
Work-related injury insurance premiums	–	27,589.07	27,589.07	–
Maternity insurance premiums	790.36	17,120.99	17,887.93	23.42
Housing provident fund	–	393,321.00	368,636.00	24,685.00
Labor union expenditures and staff education funds	3,372,792.16	913.78	104,181.17	3,269,524.77
Others	–	–	–	–
Total	3,816,638.74	13,830,355.83	12,680,578.29	4,966,416.28

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

18. 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 contributions to these schemes in accordance with the relevant regulations of the local government. In addition to the above payment of contributions, 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, annuity and unemployment insurance plans as follows:

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Basic endowment insurance	14,677.44	1,136,096.41	1,137,078.22	13,695.63
Unemployment insurance premiums	–	37,420.63	37,420.63	–
Corporate Annuity Contributions	–	–	–	–
Total	14,677.44	1,173,517.04	1,174,498.85	13,695.63

The Group shall pay RMB1,173,517.04 (2020: RMB183,124.62) to the defined contribution plans participated in the year. As at 31 December 2021, the Group has contribution payable of RMB13,695.63 (31 December 2020: RMB14,677.44) due and not paid during the reporting period. The relevant contribution payable have been paid after the reporting period.

19. Taxes payable

Items	Closing balance	Opening balance
VAT	1,713,126.09	1,601,625.30
Other taxes	115,703.02	115,932.73
Stamp duty	88,317.83	88,614.17
Personal income tax	31,298.79	76,010.04
Corporate income tax	18,983.59	18,983.59
Environmental protection tax	17,450.50	–
Urban maintenance and construction tax	482.08	2,455.64
Education surcharge	482.08	1,754.03
Total	1,985,843.98	1,905,375.50

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1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

20. Other payables

Items	Closing balance	Opening balance
Interest payable	–	–
Dividend payable	–	–
Other payables	30,345,635.50	20,404,258.11
Total	30,345,635.50	20,404,258.11

(1) Classification of other payables by nature

Nature of fund	Closing balance	Opening balance
Current accounts of related parties	26,565,018.73	15,691,555.01
Current accounts	3,666,870.36	4,621,867.27
Security fund and Deposit	69,235.71	69,235.71
Withholding payment	14,293.70	21,600.12
Others	30,217.00	–
Total	30,345,635.50	20,404,258.11

(2) Significant other payables with aging of over 1 year

Entity name	Closing balance	Reason for unsettlement or carrying forward
Xiao Bing	3,357,092.00	Unpaid
Chen Ji	2,963,337.46	Unpaid
Shaanxi New Sanqin Color Steel Co., Ltd.	827,560.42	Unpaid
Jingjiu Investment (Shanghai) Co., Ltd.	500,000.00	Unpaid
Total	7,647,989.88	

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

21. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Non-current liabilities due within one year	4,132,624.72	2,981,115.59

Note: The closing book value of lease liabilities due within one year from the balance sheet date and payable is reflected in the item "Non-current liabilities due within one year".

22. Other current liabilities

(1) Types of other current liabilities

Items	Closing balance	Opening balance
Provisional investment from shareholders	25,500,000.00	13,500,000.00

23. Lease liabilities

Items	Closing balance	Opening balance
Lease payable	8,312,179.22	11,508,914.77
Unrecognized financing charges	713,377.04	1,226,895.34
Less: portion due within one year	4,132,624.72	2,981,115.59
Total	3,466,177.46	7,300,903.84

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

24. Share capital

Items	Opening balance		Increase/decrease for the year (+/-)				Sub-total	Closing balance	
	Share capital	Ratio (%)	Issuance of new share	Bonus share	Transfer of provident fund to shares	Others		Share capital	Ratio (%)
Xi'an Tian An Corporate Management and Consulting Co., Ltd.	32,836,363.70	17.30	-	-	-	-	-	32,836,363.70	17.30
Shanghai Gaoxiang Investment Management Co., Ltd.	25,484,480.40	13.43	-	-	-	-	-	25,484,480.40	13.43
Xi'an Xiao's Antenna Technologies Co., Ltd.	15,746,869.80	8.30	-	-	-	-	-	15,746,869.80	8.30
Xi'an International Medical Investment Co., Ltd.	10,000,000.00	5.27	-	-	-	-	-	10,000,000.00	5.27
Shenzhen Huitai Investment Development Co., Ltd.	7,506,470.60	3.96	-	-	-	-	-	7,506,470.60	3.96
Xi'an Haorun Investment Co., Ltd.	7,000,000.00	3.69	-	-	-	-	-	7,000,000.00	3.69
Xiao Bing	6,500,000.00	3.43	-	-	-	-	-	6,500,000.00	3.43
Beijing Holdings Investment Management Co., Ltd.	5,407,794.10	2.85	-	-	-	-	-	5,407,794.10	2.85
Jin Rongfei	5,000,000.00	2.64	-	-	-	-	-	5,000,000.00	2.64
Zhang Jiandong	2,000,000.00	1.05	-	-	-	-	-	2,000,000.00	1.05
Shaanxi Yinji Investment Ltd.	2,000,000.00	1.05	-	-	-	-	-	2,000,000.00	1.05
Shanghai Ruikou Trade Co., Ltd.	1,850,000.00	0.97	-	-	-	-	-	1,850,000.00	0.97
Shanghai Hongzhen Ningshang Investment Management Partnership (Limited Partnership)	1,850,000.00	0.97	-	-	-	-	-	1,850,000.00	0.97
Jiao Chengyi	1,094,303.00	0.58	-	-	-	-	-	1,094,303.00	0.58
Liao Kang	910,147.80	0.48	-	-	-	-	-	910,147.80	0.48
Sub-total of domestic shares	125,186,429.40	65.97	-	-	-	-	-	125,186,429.40	65.97
Xiao Bing	1,000,000.00	0.53	-	-	-	-	-	1,000,000.00	0.53
Chen Ji	977,100.00	0.51	-	-	-	-	-	977,100.00	0.51
Public	62,599,370.60	32.99	-	-	-	-	-	62,599,370.60	32.99
Sub-total of H shares	64,576,470.60	34.03	-	-	-	-	-	64,576,470.60	34.03
Total	189,762,900.00	100.00	-	-	-	-	-	189,762,900.00	100.00

25. Capital reserves

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Share premium	155,712,767.48	-	-	155,712,767.48
Other capital reserves	26,856,278.79	-	-	26,856,278.79
Total	182,569,046.27	-	-	182,569,046.27

26. Surplus reserves

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Statutory surplus reserves	16,435,819.34	-	-	16,435,819.34

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

27. Undistributed profits

Items	The year	Last year
Closing balance of last year	(346,442,138.02)	(312,249,722.09)
Add: Adjustment of undistributed profits at the beginning of the year	–	–
Opening balance of the year	(346,442,138.02)	(312,249,722.09)
Add: Net profit attributable to owners of the parent company for the year	(22,660,963.72)	(34,192,415.93)
Less: Appropriation of statutory surplus reserves	–	–
Closing balance of the year	(369,103,101.74)	(346,442,138.02)

28. Operating income, operating costs

(1) Operating income and operating costs

Items	Amount incurred in the year		Amount incurred in last year	
	Income	Costs	Income	Costs
Main business	37,982,656.33	26,082,333.74	11,611,658.99	9,061,383.86
Other business	1,085,113.52	498,238.70	565,801.99	269,330.25
Total	39,067,769.85	26,580,572.44	12,177,460.98	9,330,714.11

(2) Main business income – by product

Items	Main business income for the year	Main business income for last year
Sales of antenna products and provision of related services	21,727,041.89	2,799,920.35
Sales of agricultural products	16,186,702.93	5,269,793.53
Sales of aircraft products	–	2,048,493.76
Sales of underwater monitoring products and related products	68,911.51	1,493,451.35
Total	37,982,656.33	11,611,658.99

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

29. Taxes and surcharges

Items	Amount incurred in the year	Amount incurred in last year
Environmental protection tax	84,185.54	61,509.10
Stamp duty	34,251.15	23,459.36
Urban maintenance and construction tax	8,450.61	9,388.45
Water conservancy fund	3,976.19	1,484.27
Education surcharge	3,411.85	6,000.73
Total	134,275.34	101,841.91

30. Selling expenses

Items	Amount incurred in the year	Amount incurred in last year
Payroll	1,552,737.75	162,365.81
Business entertainment expenses	1,054,708.30	181,692.47
Travelling expenses	855,533.09	264,490.21
Technical service fees	695,156.55	–
Rental fees	221,100.00	–
Delivery charges	251,677.43	59,641.56
Promotion and testing charges	298,643.26	115,635.95
Intermediation fee	77,426.41	–
Office fees	72,527.34	25,605.40
Service fees	39,629.00	–
Construction fees	36,000.00	–
Printing fees	34,000.12	–
Equipment depreciation expenses	3,086.86	1,965.66
Advertising expenses	1,300.00	30,704.45
Others	13,812.83	34,325.60
Total	5,207,338.94	876,427.11

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

31. Administrative expenses

Items	Amount incurred in the year	Amount incurred in last year
Amortisation of intangible assets	8,071,739.79	8,035,289.87
Payroll	7,748,751.69	9,536,657.10
Intermediation fee	1,712,121.10	1,568,459.83
Depreciation of right-of-use assets	819,979.58	1,770,724.55
Business entertainment expenses	639,329.10	478,557.86
Office fees	657,629.35	688,501.05
Depreciation expenses	543,791.54	931,849.32
Travelling expenses	526,015.60	583,430.77
Vehicle expenses	567,909.85	647,411.63
Utilities	214,012.61	169,464.17
Amortisation of long-term deferred expenses	157,875.66	2,107,623.11
Property management fee	137,722.01	472,850.74
Expenses of the Board	102,000.00	92,000.00
Communication fee	42,306.86	47,820.23
Transportation charges	34,818.39	58,529.12
Repair fee	2,351.00	–
Disabled security fund	571.44	624.02
Auditor's remunerations	659,008.77	857,615.01
– Audit service fee	624,716.98	763,555.60
– Other service fee	34,291.79	94,059.41
Others	202,611.31	600,746.20
Total	22,840,545.65	28,648,154.58

32. R&D expenses

Items	Amount incurred in the year	Amount incurred in last year
Payroll	3,308,947.99	2,408,306.37
Material fee	1,191,500.56	995,144.05
Testing charges	907,653.89	220,597.51
Travelling expenses	339,994.92	338,337.49
Depreciation and amortisation	245,653.07	194,545.84
Office fees	73,793.88	20,607.86
Development service fee	65,000.00	31,220.00
Shipping fee	9,186.37	–
Entertainment expenses	–	78,971.26
Others	3,985.55	–
Total	6,145,716.23	4,287,730.38

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

33. Financial expenses

Items	Amount incurred in the year	Amount incurred in last year
Interest expenses	609,791.20	190,974.34
Less: Interest income	6,448.96	9,499.02
Add: Exchange loss	112,922.65	135,184.30
Less: Exchange gain	582,667.70	54,956.42
Other expenditure	27,486.01	24,771.84
Total	161,083.20	286,475.04

34. Other gain

Source of other gain	Amount incurred in the year	Amount incurred in last year
High-tech enterprise cultivation incentive funds	300,000.00	–
Special fund for the construction of the National Independent Innovation Demonstration Zone in South Jiangsu, the high-tech zone reward and subsidy fund	239,000.00	–
High-tech enterprise recognition subsidy	94,500.00	120,000.00
Shaanxi Province Intellectual Property Special Fund	50,000.00	–
Work-for-training subsidy	13,860.00	–
Subsidy for the utilization of waste and manure resources by the Agriculture and Rural Affairs Bureau	12,000.00	–
Income tax handling fee refunded	10,931.13	34,720.35
Changshu High-tech Zone Finance Bureau Patent Award	8,400.00	–
The second batch of patent awards and subsidies in Changshu City	3,000.00	–
Job stabilisation subsidy	2,356.14	401,592.87
VAT handling fee	1,573.14	–
House rental tax rebate	404.29	238.85
High-tech project subsidy	–	60,000.00
Technology plan project subsidy	–	4,500.00
Total	736,024.70	621,052.07

Notes to the Financial Statements

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

35. Investment gain

Items	Amount incurred in the year	Amount incurred in last year
Investment gain from disposal of financial assets held for trading	269,414.99	955,643.36

36. Gain from changes in fair value (“()” for loss)

Source of gain from changes in fair value	Amount incurred in the year	Amount incurred in last year
Financial assets measured at fair value through profit or loss	–	114,400.52

37. Credit impairment loss (“()” for loss)

Items	Amount incurred in the year	Amount incurred in last year
Bad debt loss of accounts receivable	(384,802.35)	(169,127.69)
Bad debt loss of other receivables	(285,596.37)	372,745.13
Bad debt loss of advanced payments	–	253,710.68
Bad debt loss of advanced payments for purchase of land and above-ground attachments	–	(5,503,774.84)
Total	(670,398.72)	(5,046,446.72)

38. Assets impairment loss (“()” for loss)

Items	Amount incurred in the year	Amount incurred in last year
Inventory depreciation loss and contract performance cost impairment loss	(994,652.68)	–

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

39. Non-operating income

(1) Breakdown of non-operating income

Items	Amount incurred in the year	Amount incurred in last year	Amount charged to non-recurrent profit or loss for the year
Gains from debt restructuring	62,308.69	–	62,308.69
Payables that cannot be paid	–	262,021.60	–
Other income	280.73	3,615.06	280.73
Total	62,589.42	265,636.66	62,589.42

Note: Other gains are the full amount of input tax deducted from the anti-counterfeiting tax control service fee.

(2) Government subsidies included in the profit and loss of the year

None.

40. Non-operating expenditure

Items	Amount incurred in the year	Amount incurred in last year	Amount charged to non-recurrent profit or loss for the year
Loss from damage and scrap of non-current assets	55,452.27	47,631.64	55,452.27
Compensation, liquidated damages and fine expenditure	5,000.00	–	5,000.00
Other expenditure	52.15	35,728.80	52.15
Total	60,504.42	83,360.44	60,504.42

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

41. Income tax expenses

(1) Income tax expenses

Items	Amount incurred in the year	Amount incurred in last year
Current income tax calculated according to tax law and relevant regulations	14,069.97	11,946.97
– Mainland China corporate income tax	14,069.97	11,946.97
– China Hong Kong profits tax	–	–
Total	14,069.97	11,946.97

Since the Group has no taxable income in Hong Kong during the year (last year: Nil), there is no Hong Kong profit tax.

(2) Reconciliation of accounting profit and income tax expense

Items	Amount incurred in the year
Total consolidated profit in the year	(22,659,288.66)
Income tax expenses calculated at statutory/applicable tax rates	(3,398,893.30)
Impact of applying different tax rates to subsidiaries	(565,767.62)
Impact of adjustment of income tax of previous period	9,659.70
Impact of non-taxable income	(97,992.35)
Impact of non-deductible costs, expenses and losses	(715,964.17)
Impact of deductible losses from applying deferred income tax assets not recognised in previous period	(59,292.74)
Impact of deductible temporary differences or deductible losses of the deferred income tax assets not recognised for the year	5,815,019.98
Additional items that deductible under tax law	(972,699.54)
Income tax expenses	14,069.97

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1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

42. Items in Cash Flow Statement

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

1) Other cash received relating to operating activities

Items	Amount incurred in the year	Amount incurred in last year
Government subsidy	736,024.70	1,061,437.67
Current accounts	108,283.61	911,366.12
Interest income	6,448.96	9,499.02
Others	280.73	–
Total	851,038.00	1,982,302.81

2) Other cash paid relating to operating activities

Items	Amount incurred in the year	Amount incurred in last year
Administrative expenses	5,478,407.39	6,479,283.28
R&D expenses	842,578.76	689,734.12
Current accounts	242,778.93	653,011.29
Cost of sales	3,651,514.33	596,459.69
Financial expenses	27,486.01	24,771.84
Non-operating expenditures	5,052.15	5.44
Total	10,247,817.57	8,443,265.66

3) Other cash received relating to financing activities

Items	Amount incurred in the year	Amount incurred in last year
Shareholders loan	20,538,198.02	2,547,520.84
Of which: Xiao Bing	10,620,000.00	1,527,722.29
Chen Ji	516,198.02	1,019,798.55
Shanghai Gaoxiang Investment Management Co., Ltd.	9,402,000.00	–
Collection of personal loans	12,540,194.06	–
Total	33,078,392.08	2,547,520.84

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

42. Items in Cash Flow Statement (Continued)

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

4) Other cash paid relating to financing activities

Items	Amount incurred in the year	Amount incurred in last year
Shareholders repayment	11,140,000.00	9,270,000.00
Of which: Shanghai Gaoxiang Investment Management Co., Ltd.	3,140,000.00	9,270,000.00
Xiao Bing	8,000,000.00	–
Repayment of principal and interest on lease liabilities	3,296,145.64	1,837,919.12
Other personal repayment	12,540,194.06	–
Others	433.16	–
Total	26,976,772.86	11,107,919.12

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

42. Items in Cash Flow Statement (Continued)

(2) Supplemental Information to the Consolidated Cash Flow Statement

Items	Amount incurred in the year	Amount incurred in last year
1. Adjustment from net profit to cash flow from operating activities:		
Net profit	(22,673,358.63)	(34,538,903.67)
Add: Depreciation allowance for assets	994,652.68	–
Credit impairment loss	670,398.72	5,046,446.72
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	1,325,220.74	1,577,151.28
Depreciation of right-of-use assets	2,662,084.29	2,479,257.85
Amortisation of intangible assets	8,071,739.79	8,035,289.87
Amortisation of long-term unamortised expenses	180,236.65	1,795,857.93
Losses from disposal of fixed assets, intangible assets and other long-term assets (“()” for gains)	–	–
Losses from scrapping of fixed assets (“()” for gains)	55,452.27	47,631.64
Losses from changes in fair value (“()” for gains)	–	(114,400.52)
Financial expenses (“()” for gains)	609,791.20	190,974.34
Investment losses (“()” for gains)	(269,414.99)	(955,643.36)
Decrease of deferred income tax assets (“()” for increase)	–	–
Increase of deferred income tax liabilities (“()” for decrease)	–	–
Decrease of inventory (“()” for increase)	(7,257,895.60)	(185,865.03)
Decrease of operating receivables (“()” for increase)	(16,713,455.08)	1,244,313.00
Increase of operating payables (“()” for decrease)	6,363,251.79	(3,719,370.54)
Others	–	–
Net cash flow from operating activities	(25,981,296.17)	(19,097,260.49)
2. Material Investment and financing activities not involving cash receipts and payments return:		
Conversion of debt into capital	–	–
Convertible corporate bonds to be mature within one year	–	–
Fixed assets under financial lease	–	–
3. Net change of cash and cash equivalents:		
Closing balance of cash	4,189,014.30	2,065,197.50
Less: Opening balance of cash	2,065,197.50	5,675,029.60
Add: Closing balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase amount of cash and cash equivalents	2,123,816.80	(3,609,832.10)

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

42. Items in Cash Flow Statement (Continued)

(3) Cash and cash equivalents

Items	Closing balance	Opening balance
Cash	4,189,014.30	2,065,197.50
Of which: Cash on hand	21,610.37	39,866.85
Bank deposit that can be used for payment at any time	4,081,521.51	1,941,186.76
Other monetary fund that can be used for payment at any time	85,882.42	84,143.89
Cash equivalents	–	–
Of which: Bond investments due within three months	–	–
Closing balance of cash and cash equivalents	4,189,014.30	2,065,197.50
Of which: Cash and cash equivalents that the parent company or the subsidiaries in the Group are restricted to use	–	–

43. Assets with restricted ownership or use rights

Items	Closing Book value	Reason for restriction
Monetary Funds	182,368.78	margin account and suspended account funds

44. Foreign currency monetary items

(1) Foreign currency monetary items

Items	Closing balance in foreign currency	Conversion exchange rate	Closing balance converted to RMB
Monetary capitals	–	–	213,151.89
Of which: USD	9,538.80	6.3757	60,816.53
HKD	186,320.17	0.8176	152,335.36

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

45. Government subsidy

(1) Government subsidy

Type	Amount	Presented items	Amount included in current profit and loss
High-tech enterprise cultivation incentive funds	300,000.00	Other gain	300,000.00
Special fund for the construction of the National Independent Innovation Demonstration Zone in South Jiangsu, the high-tech zone reward and subsidy fund	239,000.00	Other gain	239,000.00
High-tech enterprise recognition subsidy	94,500.00	Other gain	94,500.00
Shaanxi Province Intellectual Property Special Fund	50,000.00	Other gain	50,000.00
Work-for-training subsidy	13,860.00	Other gain	13,860.00
Subsidy for the utilization of waste and manure resources by the Agriculture and Rural Affairs Bureau	12,000.00	Other gain	12,000.00
Changshu High-tech Zone Finance Bureau Patent Award	8,400.00	Other gain	8,400.00
The second batch of patent awards and subsidies in Changshu City	3,000.00	Other gain	3,000.00
Job stabilisation subsidy	2,356.14	Other gain	2,356.14
VAT handling fee	1,573.14	Other gain	1,573.14
House rental tax rebate	404.29	Other gain	404.29
Total	725,093.57		725,093.57

(2) Refund of government subsidies

None.

VII. CHANGES IN CONSOLIDATION SCOPE

There were no changes in the scope of consolidation of the Company this year.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the business group

Name of subsidiaries	Main business place	Domicile	Business nature	Paid up capital/ share capital (Ten thousand)	Shareholding proportion (%)		Acquisition method
					Direct	Indirect	
Xi'an Haitian Wireless System Equipment Co., Ltd. *	Xi'an	Xi'an	Manufacturing	2,000.00	100.00	-	Establishment
Xi'an Haitian Communication System Engineering Co., Ltd. *	Xi'an	Xi'an	Construction enterprise	820.00	100.00	-	Establishment
Haitian Antenna Technologies (Hongkong) Limited** (Note 2)	Hong Kong	Hong Kong	Trade	150.00	100.00	-	Establishment
Haitian Antenna (Shanghai) International Trade Co., Ltd. *	Shanghai	Shanghai	Trade	2,000.00	100.00	-	Establishment
Xi'an Haitian Marine Technologies Co., Ltd. *	Xi'an	Xi'an	Manufacturing	1,000.00	100.00	-	Establishment
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd. *	Xi'an	Xi'an	Manufacturing	1,000.00	100.00	-	Establishment
Xi'an Haitian Automotive Electronics Technologies Co., Ltd. *	Xi'an	Xi'an	Manufacturing	100.00	100.00	-	Establishment
Beijing Hailan Taihang Technologies Development Co., Ltd. *	Beijing	Beijing	Trade	100.00	100.00	-	Establishment
Wuxi Shanshui Haitian Network Technologies Co., Ltd. *	Wuxi	Wuxi	Software and information technology services	1,000.00	100.00	-	Establishment
Suzhou Haitian New Antenna Technologies Co., Ltd. *	Changshu	Changshu	Manufacturing	4,002.86	100.00	-	Acquisition
Shaanxi Haitian Luotai Aviation Light Engine Technologies Co., Ltd.*	Weinan	Weinan	Software and information technology services	-	100.00	-	Establishment
Yixian Hailan Natural Agricultural Development Co., Ltd.*	Yi County	Yi County	Trade in poultry and agricultural products	591.84	-	51.00	Establishment
Heinz (Hong Kong) Light Aviation Engines Limited** (Note 2)	Hong Kong	Hong Kong	Manufacturing	1.00	-	100.00	Establishment
Xi'an Haitian Chuangyao Communication System Engineering Co., Ltd.*	Xi'an	Xi'an	Construction	-	-	100.00	Acquisition

Note 1: *A subsidiary established in the PRC;** a subsidiary established in China Hong Kong; all the composition details of the enterprise group are limited companies.

Note 2: The registered capital of Haitian Antenna Technologies (Hongkong) Limited is HK\$1.5 million; and the registered capital of Heinz (Hong Kong) Light Aviation Engines Limited is US\$1.

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1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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 for the year	Dividends declared for distribution to minority shareholders for the year	Closing balance of minority shareholders' equity
Yixian Hailan Natural Agricultural Development Co., Ltd.	49.00%	(12,394.91)	-	2,603,528.96

(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	4,278,923.59	2,395,635.26
Non-current assets	3,093,459.60	3,448,789.80
Total assets	7,372,383.19	5,844,425.06
Current liabilities	1,947,195.26	403,604.85
Non-current liabilities	111,830.86	102,167.42
Total liabilities	2,059,026.12	505,772.27
Operating income	16,186,702.93	5,269,793.53
Net profit	(25,295.72)	(625,633.20)
Total comprehensive income	(25,295.72)	(625,633.20)
Cash flows from operating activities	2,018,220.72	(267,103.82)

(4) Others

As of 31 December 2021, the subsidiaries of the Company have not issued any share capital or debt securities.

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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 VI here. The risks associated with these financial instruments and the risk management policies adopted by the Group 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 minimise the negative impact of risks on the Group's operating performance, and to maximise 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 analyse the various risks faced by the Group, 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 31 December 2021, 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	31 December 2021 (RMB)	31 December 2020 (RMB)
Monetary capitals – USD	60,816.53	62,699.92
Monetary capitals – HKD	152,335.36	168,995.39
Monetary capitals – AUD	–	3,002.26

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 Group to fair value interest rate risk. The Group 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 Group's goal is to maintain its floating interest rate.

The risk of changes in the cash flow 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.

Notes to the Financial Statements

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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 31 December 2021, the maximum credit risk exposure that may cause financial losses to the Group 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 Group 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 Group believes that the credit risk assumed by the Group 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. Apart from the top five entities with largest amount in "account receivables", the Group has no other significant credit concentration risk.

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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 Group cannot fulfill its financial obligations on the due date. The Group'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 Group uses private placement and shareholder loans as the main source of financing.

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

Amount on 31 December 2021:

Unit: RMB

Items	Within one year	One to two years	Two to five years	Over five years	Total
Financial assets					
Monetary capitals	4,371,383.08	-	-	-	4,371,383.08
Financial assets held for trading	2,000.00	-	-	-	2,000.00
Accounts receivable	18,494,036.68	391,000.00	197,408.00	7,890,117.65	26,972,562.33
Other receivables	1,629,331.28	119,158.02	834,759.91	-	2,583,249.21
Financial liabilities					
Accounts payable	9,104,542.34	134,973.03	7,099,783.41	-	16,339,298.78
Other payables	16,970,383.07	7,607,051.02	5,768,201.41	-	30,345,635.50
Payroll payable	4,980,111.91	-	-	-	4,980,111.91
Other current liabilities	12,000,000.00	13,500,000.00	-	-	25,500,000.00

2. Sensitivity analysis

The Group uses sensitivity analysis techniques to analyse 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.

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1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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:

Items	Change in exchange rate	2021		2020	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
All foreign currencies	Rise by 5% against RMB	10,657.64	10,657.64	11,734.88	11,734.88
All foreign currencies	Fall by 5% against RMB	(10,657.64)	(10,657.64)	(11,734.88)	(11,734.88)

(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			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Sustained fair value measurement				
(1) Financial assets held for trading				
1. Financial assets measured at fair value through profit or loss	2,000.00	-	-	2,000.00
Total assets measured at fair value on a recurring basis	2,000.00	-	-	2,000.00
II. Non-sustained fair value measurement				
Total liabilities measured at fair value on a recurring basis	-	-	-	-

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 31 December 2021.

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

None.

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

None.

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

None.

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related party relationships

(1) Controlling Shareholder and ultimate controlling party

1) Equities of domestic shares in the Company

Name	Identity	Number of domestic shares held	Proportion to domestic shares	Proportion to total shares	Remarks
Xiao Bing	Actual owner, interests of family members and interests of controlled companies	550,832,335	44.00%	29.03%	Note 1
Chen Ji	Interests of controlled companies	273,344,804	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	Remarks
Xiao Bing	Actual owner	10,000,000	1.55%	0.53%	
Chen Ji	Actual owner and interests of controlled companies	46,371,000	7.18%	2.44%	Note 3
Lu Lihua	Actual owner	14,000	<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	Remarks
Chen Ji	Interests of controlled companies	36,300,000	5.62%	1.91%	Note 5

Note 1: Mr. Xiao Bing directly holds 65,000,000 domestic shares. Xi'an Tian An Corporate Management and Consulting Co., Ltd. (Tian An Corporate) 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 31% by his father Professor Xiao Liangyong and 30% by his spouse Ms. Chen Jing.

Note 2: Shanghai Gaoxiang Investment Management Co., Ltd. (Gaoxiang Investment) holds 254,844,804 domestic 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.

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

1. Related party relationships *(Continued)*

(1) Controlling Shareholder and ultimate controlling party *(Continued)*

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

Note 3: Mr. Chen Ji directly holds 9,771,000 H shares and his spouse Ms. Sun Xiangjun directly holds 300,000 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 is beneficially owned as to 65.74% by Guotai Junan Holdings Limited (Guotai Junan Holdings). 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. Mr. Chen Ji is deemed to be interested in the same batch of 9,771,000, 300,000 and 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.

(2) Subsidiary

See relevant contents of "VIII. 1.(1) Composition of the business group" in this notes for details of the subsidiaries.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

1. Related party relationships *(Continued)*

(3) Other related party

Name of other related party	Relationship with 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 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 Hitech is owned by Zuo Hong as to 5%)
Zuo Hong	Senior management and director of the Company
Xiao Bing	Shareholder, Executive Director and chairman of the Company
Chen Ji	Shareholder, Executive Director and vice chairman of the Company
Liao Kang	General Manager of the subsidiary Suzhou Haitian
Xiao Lei (肖蕾)	Immediate family member of Xiao Bing
Li Jun (李軍)	Spouse of immediate family member of Xiao Bing

2. Related party transaction

(1) Related guarantees

1) As guarantor

Name of guarantee	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether guarantee has been fulfilled
Suzhou Haitian New Antenna Technology Co., Ltd. (蘇州海天新天綫科技有限公司)	5,000,000.00	21 June 2021	20 June 2023	No

Note: Liao Kang, Xiao Bing and Xi'an Haitian Antenna Technology Co., Ltd. provided guarantees for Suzhou Haitian's short-term borrowings.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

2. Related party transaction (Continued)

(1) Related guarantees (Continued)

2) As guarantee

Name of guarantor	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether guarantee has been fulfilled
Liao Kang Xiao Bing Xi'an Haitian Antenna Technologies Co., Ltd.	5,000,000.00	21 June 2021	20 June 2023	No
Xiao Lei Li Jun	3,500,000.00	2 December 2021	2 December 2026	No

Note 1: Liao Kang, Xiao Bing and Xi'an Haitian Antenna Technology Co., Ltd. provided guarantees for Suzhou Haitian's short-term borrowings.

Note 2: Xiao Lei and Li Jun provided mortgage guarantee for the short-term borrowings of Xi'an Haitian Antenna Technology Co., Ltd. with their ordinary residence located in Room 12205, Building 1, Tianmu Kuoqing, High-tech International Business Center, Gaoxin District, Xi'an as collateral.

(2) Capital lending between related parties

Name of related party	Lending amount	Commencement date	Maturity date	Remarks
Borrowing				
Shanghai Gaoxiang Investment Management Co., Ltd.	14,392,000.00	-	-	
Xiao Bing	6,289,352.30	-	-	
Chen Ji	5,883,666.43	-	-	

(3) Remunerations of key management personnel

The remuneration of key management personnel (including amounts paid and payable to executive directors and other senior management) are as follows:

Item name	Amount incurred in the year	Amount incurred in last year
Total remunerations	4,428,132.79	4,634,593.55

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

2. Related party transaction (Continued)

(4) Continued Related Party Transaction

None.

3. Transaction balance of related party

(1) Accounts Receivable

Item name	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Enterprise controlled by director Xi'an Haitian Hi-tech Power Co., Ltd	-	-	255,000.05	255,000.05
Other receivables	Senior management and director of the Company Zuo Hong	-	-	679,609.08	-
Total		-	-	934,609.13	255,000.05

(2) Accounts Payable

Item name	Related party	Closing book balance	Opening book balance
Accounts payable	Shareholder of the Company Xi'an Xiao's Antenna Technologies Co., Ltd	5,200,000.00	5,200,000.00
Other payables	Shareholder of the Company Shanghai Gaoxiang Investment Management Company Limited Xiao Bing (Senior management and director of the Company) Chen Ji (Senior management and director of the Company) Liao Kang (Senior management of the Company)	14,392,000.00 6,289,352.30 5,883,666.43 19,064.00	8,130,000.00 3,705,007.75 3,695,984.93 -
Total		31,765,018.73	20,730,992.68

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Commitment of related parties

Shanghai Gaoxiang Investment Management Company Limited, Xiao Bing and Chen Ji, the shareholders of the Company, have committed not to recover the amount owed by the Company in advance if the Company has financial difficulties before December 31, 2022, and also to provide necessary financial support.

5. Remunerations of directors, supervisors and employees

(1) 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 the year					
Executive directors					
Xiao Bing	313,091.41	71,026.21	-	-	384,117.62
Chen Ji	336,767.29	25,517.29	-	-	362,284.58
Supervisors					
Li Tianzuo	199,667.91	53,972.80	-	-	253,640.71
Lu Lihua	112,946.00	35,253.12	-	-	148,199.12
Shang Lijian	-	-	-	-	-
Wang Xiaokun	12,000.00	-	-	-	12,000.00
Zhang Yi	12,000.00	-	-	-	12,000.00
Non-executive directors					
Sun Wenguo	6,000.00	-	-	-	6,000.00
Li Wenqi	6,000.00	-	-	-	6,000.00
Yan Weimin	6,000.00	-	-	-	6,000.00
Xu Xiong	12,000.00	-	-	-	12,000.00
Zhang Jun	12,000.00	-	-	-	12,000.00
Shi Ping	12,000.00	-	-	-	12,000.00
Tu Jijun	12,000.00	-	-	-	12,000.00
Liu Lidong	12,000.00	-	-	-	12,000.00
Zuo Hong	312,298.50	57,307.61	-	-	369,606.11
Total	1,376,771.11	243,077.03	-	-	1,619,848.14
Amount incurred in last year					
Executive directors					
Xiao Bing	391,364.27	55,823.58	-	-	447,187.85
Chen Ji	701,321.13	26,853.94	-	-	728,175.07
Supervisors					
Li Tianzuo	154,100.63	53,392.00	-	-	207,492.63
Lu Lihua	86,031.60	34,671.20	-	-	120,702.80
Shang Lijian	-	-	-	-	-
Wang Xiaokun	12,000.00	-	-	-	12,000.00
Zhang Yi	12,000.00	-	-	-	12,000.00
Non-executive directors					
Sun Wenguo	6,000.00	-	-	-	6,000.00
Li Wenqi	6,000.00	-	-	-	6,000.00
Huang Jing	358,987.71	4,481.22	-	-	363,468.93
Yan Weimin	6,000.00	-	-	-	6,000.00
Xu Xiong	2,000.00	-	-	-	2,000.00
Zhang Jun	12,000.00	-	-	-	12,000.00
Lei Zhenya	12,000.00	-	-	-	12,000.00
Shi Ping	12,000.00	-	-	-	12,000.00
Tu Jijun	12,000.00	-	-	-	12,000.00
Zuo Hong	318,971.63	59,726.52	-	-	378,698.15
Total	2,102,776.97	234,948.46	-	-	2,337,725.43

Note: Huang Jing resigned as the director of Haitian Antenna on 23 October 2020.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. 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 (two in the last year), the remaining three are senior management personnel, and the remunerations of directors are set out in Note "XI 5.(1) Remunerations of directors and supervisors". The remunerations of the remaining three senior management personnel (three in the last year) are as follows:

Items	Amount incurred in the year	Amount incurred in last year
Salaries and allowances	2,010,454.03	2,203,431.32
Costs of social insurance, housing fund and related pension	158,763.02	183,920.00
Total	2,169,217.05	2,387,351.32

Scope of remuneration:

Items	Number of individual in the year	Number of individual in last year
Less than RMB1,000,000	5	5
RMB1,000,001 to RMB1,500,000	–	–
RMB1,500,001 to RMB2,000,000	–	–
RMB2,000,001 to RMB2,500,000	–	–

(3) During the year, none of the directors of the Company waived or agreed to waive any remuneration. In the past years, 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 dismissal.

(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 the year	Amount incurred in last year
Salary and allowance	3,929,947.14	4,947,149.45
Costs of social insurance, housing fund and related pension	498,185.65	471,108.46
Total	4,428,132.79	5,418,257.91

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

6. Loans receivable from directors or directors' related enterprises

(1) 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

None.

XVI. OTHER IMPORTANT MATTERS

1. Non-public Issuance of domestic shares

On 24 June 2021, the Board of the Company passed a resolution to approve the proposed non-public issuance of domestic invested shares (the "Non-public Issuance of Domestic Shares") of nominal value of RMB0.10 in the share capital of the Company to selected investors under the general mandate given to the Board at the annual general meeting held on 22 June 2021, subject to a maximum of 20% of the total issued Domestic Shares (being 1,251,864,294 Domestic Shares), and the issue price is not less than RMB1.50 per share. The shares of the Company held by the shareholders upon completion of the Non-public Issuance of Domestic Shares shall not exceed 30% of the total issued share capital of the Company. Non-public Issuance of Domestic Shares of the Company has been reported to the CSRC and is subject to the approval of the CSRC. As of 31 December 2021, the Company received a total of RMB25,500,000.00 of intended investment.

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

In August 2015, the Company entered into an agreement with Xi'an Xiangyu Aviation Technology Co., Ltd. (hereinafter referred to as "Vendor"), pursuant to which the Vendor has agreed to sell a parcel of land located at the east of Shuoshi Road (碩士路以東) and the west of Chuangye Avenue (創業大道以西), National Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the PRC, and three industrial buildings erected on it to the Company at a consideration of RMB40.00 million. The Company paid a transfer price of RMB18,546,000 in accordance with the agreement. Details were disclosed in the announcement dated 24 August 2015 and the circular dated 25 November 2015 of the Company.

However, the Vendor fails to assist the Company to undertake the registration of the transfer of the land use right of the land, the Company initiated a legal proceedings against the Vendor in the People's Court of Chang'an District of Xi'an City* (西安市長安區人民法院) in September 2017. The legal proceedings were dismissed by the People's Court of Chang'an District of Xi'an City on 14 November 2019 on the grounds that the land is still under the seizure order and the land has a boundary issue. Details were disclosed in the announcements dated 11 December 2019 and 15 January 2020 of the Company.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVI. OTHER IMPORTANT MATTERS (Continued)

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

On 18 September 2020, a judge from the Executive Bureau of the Intermediate People's Court of Xi'an City* (西安市中級人民法院) led the staff of an evaluation company to inspect the land and evaluate the enforced auction of the land due to the Vendor's refusal to perform other effective legal judgments. The Company believed that it has harmed the interest of the Company and filed an objection against the enforcement to the judge of the Executive Bureau of the Intermediate People's Court of Xi'an City on 10 October 2020. Subsequently, the Executive Bureau of the Intermediate People's Court of Xi'an City accepted the objection against the enforcement submitted by the Company

On 3 March 2021, the Executive Bureau of the Intermediate People's Court of Xi'an City presided over the hearing procedures in accordance with the law, it heard the opinions of Haitian Antenna, Xi'an Tangdu Yanhua Automobile Sales and Service Co., Ltd. (西安唐都燕華汽車銷售服務有限公司), the applicant for reinstatement, and Xi'an Xiangyu Aviation Co., Ltd. (西安翔宇航空股份有限公司), the person subject to execution. Haitian Antenna submitted relevant evidence materials to the court to prove that the land and above-ground buildings purchased by Haitian Antenna complied with the provisions of Article 28 of the "Regulations of the Supreme People's Court on Several Issues Concerning the Handling of Execution Objections and Reconsideration Cases by the People's Court" (《最高人民法院關於人民法院辦理執行異議和覆議案件若干問題的規定》) and the measures of sealing up and auctioning the land and its attachments should be lifted..

On April 22, 2021, the Xi'an Intermediate People's Court rejected the Company's application for enforcement objection. The reason for the dismissal was that "the dormant seizure is not a formal sequestration in nature, and does not have the effect of a formal sequestration. If a person outside the case claims that his or her legitimate rights and interests have been infringed, he or she must file with the court that formally seizes the property involved in the case. In this case, it has been verified that the house involved in the case where the enforcement department of the court claims ownership of Haitian Antenna, an outsider, is waiting to be sealed up. Although the First Seizing Court has transferred the right to dispose of the land involved in the case to the court, the right to examine the seizure has not been transferred." During the execution of the objection review, it was revealed that after Haitian Antenna purchased the land No. 007 and applied for land change registration, Xi'an Kanghong New Material Technology Co., Ltd. (西安康鴻新材料科技股份有限公司), another creditor of Xiangyu Aviation, filed a claim with the People's Court of Yanta District of Xi'an City applied for the seizure of Land No. 007, which means that an enforcement objection should be lodged with the People's Court of Yanta District of Xi'an City.

Haitian Antenna has now filed an enforcement objection with the First Seizing Court, the People's Court of Yanta District, Xi'an City, regarding the seizure of the state-owned land of Xi Gaoxin Chang'an Yuan Guo (2001) Zi No. 007 purchased by Haitian Antenna. The case is currently being processed. According to the law, after the enforcement agency has issued a decision on an enforcement objection, any party who is not satisfied with the decision on an enforcement objection has the right to file an enforcement objection.

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVI. OTHER IMPORTANT MATTERS *(Continued)*

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

The Company consulted and considered legal advice on the above matters. The legal adviser of the Company believed that the land and above-ground attachments purchased by the Company cannot be registered under the name of the Company in the short term before the Vendor has resolved other legal matters. The Company expected that, at the time when the land and above-ground attachments to be registered under the name of the Company, it may have to bear more costs in the future. On this basis, the Company adopted an impairment model which was based on the difference between the costs that may be paid at the time when the land and above-ground attachments to be registered under the name of the Company and the value of the relevant assets to determine whether the advanced payments were impaired. It was estimated that an impairment loss of RMB5,503,774.84 was required to recognise as of 31 December 2021 by the Company for the advanced payments related to the purchase of the land and above-ground attachments. There was no new impairment for the current period.

3. **Segment information**

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

The Group determines operating segments based on internal organisational 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 aircraft 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.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVI. OTHER IMPORTANT MATTERS (Continued)

3. Segment information (Continued)

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

Segment assets:

Segment	Closing balance	Opening balance
Sales of antenna products and provision of related services	106,484,119.50	91,620,939.12
Sales of underwater monitoring products and related products	154,018.59	1,148,984.33
Sales of aircraft products	2,850,657.44	6,383,104.33
Sales of construction-related products	–	–
Sales of agricultural products	7,372,383.19	6,000,808.63
Total segment assets	116,861,178.72	105,153,836.41
Unallocated assets	656,706.46	1,069,658.54
Total consolidated assets	117,517,885.18	106,223,494.95

Segment liabilities:

Segment	Closing balance	Opening balance
Sales of antenna products and provision of related services	70,060,166.72	43,450,019.58
Sales of underwater monitoring products and related products	123,805.00	640,326.61
Sales of aircraft products	16,152,213.10	9,953,034.95
Sales of construction-related products	–	–
Sales of agricultural products	2,059,026.12	505,772.27
Total segment liabilities	88,395,210.94	54,549,153.41
Unallocated liabilities	6,854,481.41	6,732,790.08
Total consolidated liabilities	95,249,692.35	61,281,943.49

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XVI. OTHER IMPORTANT MATTERS (Continued)

3. Segment information (Continued)

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

Segment income and costs:

Sales of goods	Main business income for the year	Main business costs for the year
Sales of antenna products and provision of related services	21,727,041.89	10,175,596.68
Sales of agricultural products	16,186,702.93	15,865,278.07
Sales of underwater monitoring products and related products	68,911.51	41,458.99
Sales of aircraft products	–	–
Total	37,982,656.33	26,082,333.74

Segment income and performance:

Items	Sales of antenna products and provision of related services	Sales of agricultural products	Sales of aircraft products	Sales of underwater monitoring products and related products	Total
Income:					
External sales	21,727,041.89	16,186,702.93	–	68,911.51	37,982,656.33
Segment profit (loss)	(7,108,551.35)	159,088.51	(1,421,984.33)	(1,022,551.00)	(9,393,998.17)
Unallocated other gain	–	–	–	–	–
Unallocated corporate expenditure for changes in the fair value of financial assets at fair value through profit and loss	–	–	–	–	–
Financial costs	–	–	–	–	(161,083.20)
Unallocated income	–	–	–	–	2,153,142.63
Unallocated expenses and expenditure	–	–	–	–	(15,257,349.92)
Loss before tax	–	–	–	–	(22,659,288.66)

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

1. Accounts receivable

(1) Accounts receivable presented by bad debts provision method

Type	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts Provision ratio (%)	
Provision for bad debts by single item	7,890,117.65	36.51	7,890,117.65	100.00	-
Provision for bad debts by portfolio	13,720,706.83	63.49	411,408.60	3.00	13,309,298.23
Of which: Aging portfolio	13,713,619.98	63.46	411,408.60	3.00	13,302,211.38
Related party portfolio	7,086.85	0.03	-	-	7,086.85
Total	21,610,824.48		8,301,526.25		13,309,298.23

(Table continued)

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts Provision ratio (%)	
Provision for bad debts by single item	8,145,117.70	93.44	8,145,117.70	100.00	-
Provision for bad debts by portfolio	571,960.80	6.56	31,457.84	5.50	540,502.96
Of which: Aging portfolio	571,960.80	6.56	31,457.84	5.50	540,502.96
Total	8,717,078.50		8,176,575.54		540,502.96

1) Provision for bad debts of accounts receivable by single item

Name	Book balance	Closing balance		Reason for provision
		Provisions for bad debts	Provision ratio (%)	
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		

Notes to the Financial Statements

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

1. Accounts receivable (Continued)

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

2) Provision for bad debts of accounts receivable by portfolio

Aging portfolio:

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	13,713,619.98	411,408.60	3.00

(2) Accounts receivable presented by aging

The ageing analysis of the accounts receivable (including accounts receivable by related party parties) based on transaction date is as follows:

Aging	Closing balance
Within 1 year (including 1 year)	13,720,706.83
Over 5 years	7,890,117.65
Total	21,610,824.48

(3) Provision for bad debts of accounts receivable for the year

Type	Opening balance	Amount of changes for the year				Closing balance
		Provision	Recovered or written-back	Write-off or charge-off	Others	
Provision for bad debt	8,176,575.54	379,950.76	255,000.05	-	-	8,301,526.25

其中本年壞賬準備收回或轉回金額重要的：

Entity name	Amount of recovery or written-back	Recovery method	Reason for recovery or write-back
Xi'an Haitian Hi-tech Power Co., Ltd.	255,000.05	Bank transfer	Money received

(4) Accounts receivable actually written off in the year

None.

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

The accounts receivable of top 5 debtors by closing balance in the year is RMB16,030,529.52 in total, the proportion to the total closing balance of accounts receivable is 74.18% and the corresponding closing balance of provision for bad debts is RMB6,766,515.89 in total.

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Other receivables

Items	Closing balance	Opening balance
Interest receivable	–	–
Dividends receivable	–	–
Other receivables	35,308,521.50	30,833,503.58
Total	35,308,521.50	30,833,503.58

(1) Classification of other receivables by nature

Nature of fund	Closing balance	Opening balance
Current accounts	94,926,753.30	98,577,032.47
Provisional deposit	272,820.88	811,062.31
Deposits and security fund	747,274.40	227,274.40
Others	246,200.54	122,538.14
Total	96,193,049.12	99,737,907.32

(2) Provision for bad debts of other receivables

Provision for bad debts	Stage 1 Expected credit losses over the next 12 months	Stage 2 Lifetime expected credit loss (not credit- impaired)	Stage 3 Lifetime expected credit loss (credit- impaired)	Total
Balance at 1 January 2021	–	27,595.00	68,876,808.74	68,904,403.74
Book balance of other receivables at 1 January 2021 for the year	–	–	–	–
Provided for the year	–	(22,551.70)	1,208,675.58	1,186,123.88
Reversed for the year	–	–	9,206,000.00	9,206,000.00
Balance on 31 December 2021	–	5,043.30	60,879,484.32	60,884,527.62

(3) Other receivables presented by aging

Aging	Closing balance
Within 1 year (including 1 year)	15,489,467.96
1-2 years	7,028,075.55
2-3 years	35,266,774.24
3-4 years	108,935.00
4-5 years	10,682,618.02
Over 5 years	27,617,178.35
Total	96,193,049.12

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Other receivables (Continued)

(4) Provision for bad debts of other receivables

Type	Opening balance	Amount of changes for the year				Closing balance
		Provision	Recovered or written-back	Write-off or charge-off	Others	
Provision for bad debts	68,904,403.74	1,186,123.88	9,206,000.00	-	-	60,884,527.62

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

Entity name	Amount of recovery or written-back	Recovery method	Reason for recovery or write-back
Haitian Antenna (Shanghai) International Trade Co., Ltd.	6,401,000.00	Bank transfer	Money received
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	2,805,000.00	Bank transfer	Money received
Total	9,206,000.00		

(5) Other receivable actually written off in the year

None.

(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	38,601,473.17	0-5 years	40.13	38,601,473.17
Suzhou Haitian New Antenna Technologies Co., Ltd.	Related party transactions	34,096,832.12	0-3 years	35.45	-
Xi'an Haitian Communication System Engineering Co., Ltd.	Related party transactions	13,367,042.03	0-3 years	13.90	13,367,042.03
Haitian Antenna (Shanghai) International Trade Co., Ltd.	Related party transactions	5,901,135.81	0-1 years	6.13	5,901,135.81
Haitian Antenna Technologies (Hongkong) Limited	Related party transactions	2,328,672.48	0-1 years	2.42	2,328,672.48
Total		94,295,155.61		98.03	60,198,323.49

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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	121,255,568.73	67,597,500.00	53,658,068.73	118,055,568.73	67,597,500.00	50,458,068.73

(2) Investment in subsidiaries

Invested entity	Opening balance	Increase for the year	Decrease for the year	Closing balance	Provision for impairment for the year	Closing balance of provision of impairment
Xi'an Haitian Wireless System Equipment Co., Ltd.	20,000,000.00	-	-	20,000,000.00	-	20,000,000.00
Haitian Antenna (Shanghai) International Trade Co., Ltd.	20,000,000.00	-	-	20,000,000.00	-	20,000,000.00
Xi'an Haitian Marine Technologies Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	10,000,000.00
Xi'an Haitian Automotive Electronics Technologies Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	1,000,000.00
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	10,000,000.00
Beijing Hailan Taihang Technologies Development Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-
Wuxi Shanshui Haitian Network Technologies Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Haitian Antenna Technologies (Hongkong) Limited	1,597,500.00	-	-	1,597,500.00	-	1,597,500.00
Suzhou Haitian New Antenna Technologies Co., Ltd.	39,458,068.73	-	-	39,458,068.73	-	-
合計	118,055,568.73	3,200,000.00	-	121,255,568.73	-	67,597,500.00

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

4. Operating income, operating costs

(1) Operating income and operating costs

Items	Amount incurred in the year		Amount incurred in last year	
	Income	Costs	Income	Costs
Main business	18,297,089.00	9,477,818.68	2,851,985.50	632,056.66
Other businesses	199,985.83	6,271.55	193,714.28	-
Total	18,497,074.83	9,484,090.23	3,045,699.78	632,056.66

(2) Main business income – by product

Sales of goods	Main business income in the year	Main business income in last year
Sales of antenna products and provision of related services	18,297,089.00	2,851,985.50

Notes to the Financial Statements

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVIII. APPROVAL OF FINANCIAL REPORT

The financial report have been approved and submitted by the board of directors of the Company on 24 March 2022.

Supplemental information to the financial statements

1. Detailed statement of non-recurring gains and losses for the year

Items	Amount for the year	Notice
Gains and losses from disposal of non-current assets	(55,452.27)	
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)	725,093.57	
Profit or loss from change in fair value of held-for-trading financial assets, derivatives financial assets, held-for-trading financial liabilities and derivatives financial liabilities, and investment gain from disposal of financial assets at fair value through profit or loss, derivatives financial assets, financial liabilities at fair value through profit or loss, derivatives financial liabilities and other debt investments, other than effective hedging business in the ordinary operations of the Company	269,414.99	
Write-back of provision for impairment of receivables and contractual assets subject to separate impairment test	255,000.05	
Other non-operating income and expenses other than the above	57,537.27	
Other gain or loss items meeting the definition of non-recurring gains or losses	-	
Sub-total	1,251,593.61	
Less: Income tax impact	-	
Impact on minority interests (after-tax)	3,573.08	
Total	1,248,020.53	

1 January 2021 to 31 December 2021 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVIII. APPROVAL OF FINANCIAL REPORT *(Continued)*

Supplemental information to the financial statements *(Continued)*

2. Return on net assets and earnings per share ("EPS")

Profit for the reporting period	Weighted average return on net assets (%)	EPS (Yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to the ordinary shareholders of the parent company	(73.11)	(0.0119)	(0.0119)
Net profit attributable to the ordinary shareholders of the parent company after deduction of non-recurring gains and losses	(77.14)	(0.0126)	(0.0126)

The calculation method of the numerator of basic EPS: Net profit attributable to the shareholders of the parent company RMB–22,660,963.72.

The calculation method of the denominator of basic EPS: Weighted average number of ordinary shares in issue = Total number of shares at the beginning of the year (1,897,629,000.00) + Number of shares increased by issuance of new shares or conversion of debts into shares(0.00)* Number of months accumulated from the month following the month of share increase (II) to year end (12)/Number of months in the reporting period (12) = RMB1,897,629,000.00.

The calculation method of the numerator of diluted EPS: Net profit attributable to the shareholders of the parent company RMB–22,660,963.72.

The calculation method of the denominator of diluted EPS: Weighted average number of ordinary shares in issue 1,897,629,000.00 + Weighted average number of ordinary shares increased by warrants, exercise of options, convertible bonds, etc. (0.00) = RMB1,897,629,000.0.

Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Total assets	117,517,885.18	106,223,494.95	125,322,714.68	60,702,283.48	89,475,586.66
Total liabilities	95,249,692.35	61,281,943.49	87,728,740.27	33,990,102.57	21,795,809.54
Total shareholders' equity	22,268,192.83	44,941,551.46	37,593,974.41	26,712,180.91	67,679,777.12

CONSOLIDATED INCOME STATEMENT

	For the year of 2021	For the year of 2020	For the year of 2019	For the year of 2018	For the year of 2017
Operating income	39,067,769.85	12,177,460.98	39,163,021.88	44,455,522.46	60,212,890.81
Net profit ("() for net loss)	(22,673,358.63)	(34,538,903.67)	(24,097,943.46)	(40,967,596.21)	(16,753,998.40)