



西安海天天綫科技股份有限公司
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)

ANNUAL REPORT
2020

* for identification purposes only

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

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Corporate Information

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

No.25 Shuoshi Road
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Xi'an, Shaanxi Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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GEM STOCK CODE

8227

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AUDITOR

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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)
Professor Lei Zhenya (雷振亞教授)
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
Changshu City,
Suzhou, 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

Chairman's Statement

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 2020 on behalf of the board of Directors (the "Board").

In 2020, the Group's focus was always on the mobile communication business. After experiencing the development and production, followed by market promotion and application, each process of the new artificial dielectric lens antenna had shown our unwavering efforts. Also, in order to constantly enhancing the core competitiveness of new products, the Group had never stopped the post-evolution and development of the new artificial dielectric lens antenna products. In 2020, our R&D team act in concert with the market to conduct technical exchanges and multi-scenario application testing across the country, and conducted repeatedly summarisation and analysis of the testing and application data of each scenario. Through continuous optimisation, the Group made significant technological progress in research and development in 2020. On the one hand, research and development continued to optimise the performance of antenna products which further improved antenna efficiency. On the other hand, more models of new artificial dielectric lens antenna products had also achieved fruitful achievements.

Benefiting from the remarkable product performance of the new artificial dielectric lens antenna, such as high efficiency, energy conservation and environmental protection, the Group achieved certain market results. In 2020, the Group had cooperated and exchanged with mobile communication operators in many provinces nationwide, and conducted live network testing in various scenarios on many occasions to verify the performance of the new artificial dielectric lens antenna. We successively won the bidding and procurement projects of numerous operators with absolute dominant share. In particular, the Group won the entire bidding and procurement activities of the new artificial dielectric lens antenna project of China Mobile in Shanghai and Fujian. In addition, the Group also successfully won the tender of the lens antenna bidding and procurement projects of China Telecom Hainan Company with 100% share. Moreover, the Group also signed relevant lens antenna procurement agreements with mobile communication operators, well-known mobile communication suppliers of system integration and system equipment in some provinces and cities, and fulfilled our supply. However, owing to the impact of COVID-19, the bidding and procurement plans of major operators were delayed, and their corresponding bidding and procurement works only started in the second half of 2020, therefore, the sales performance of lens antenna products was still affected to a certain extent. At present, the promotion progress of the Group is constantly improving. By leveraging the significant advantages of the new artificial dielectric lens antenna products, the Group will continue to enrich and improve the related mobile communication lens antenna products based on such lens materials in future, and will further strengthen the extensive cooperation and exchanges with major communication operators and related equipment suppliers, and expand the market share of this product through actively participating in various bidding activities in the communication industry.

The Group has also concurrently maintained an advancement, both synergistically and sequentially, in businesses such as aerospace, marine technology and agricultural trade. In terms of aerospace business, in 2020, the Group had cooperated with respective customers and sold a number of mini drones and increased the business income of the Group. For marine technology, the performance of marine technology products is currently being strengthened and improved. Through analysing the problems reflected by customers, and repeatedly debugging the existing underwater monitoring equipment products, the Group has provided products with good performance for customers, and is also constantly tapping into product markets. As to agricultural trade, through actively responding to national assistance policies, the Company has established stable customer relationships. In the future, the Group will continue to conduct business exchanges and cooperation in various aspects to further extend our strengths.

With the continuous expansion of the new artificial dielectric lens antenna market, the Group will also conduct additional issuance, bank borrowings, and revitalise the Group's existing assets and other financing channels in a timely manner to supplement the capital needs of the Company's operation and development based on market demand and combined with the Company's strategic planning, so as to enhance the product research and development structure of the Group and improve the comprehensive strengths of the Group.

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
19 March 2021

Management Discussion and Analysis

OPERATING INCOME

Operating income recorded for the year ended 31 December 2020 was approximately RMB12.18 million, representing a significant decrease of approximately 69% from approximately RMB39.16 million for the year of 2019.

Although the overall economy was affected by COVID-19 in 2020, the impact to the operation of the Group was not significant as a flexible business plan and an effective cost control arrangement were adopted. The significant decrease in operating income was mainly attributable to zero income from the operating segment of sales of construction related products.

Details of operations of 5 reportable and operating segments of the Group, namely, sales of antenna products and provision of related services, sales of underwater surveillance and related products, sales of aircraft products, sales of agricultural products and sales of construction related products, are as follows:

Sales of antenna products and provision of related services

After the introduction of new artificial dielectric lens antenna products of the Group into the market in 2019, the Group deployed available resources from other operating segments and concentrated on the market development of the new artificial dielectric lens antenna products during the year. Due to the influence of COVID-19, large-scale marketing and promotion activities such as exhibition and trade fair were not organised and participated to avoid any uncertainty and reduce unavoidable costs. In turn, the Group mainly performed live network testing in different provinces across the country to illustrate and promote the unique performance of the new artificial dielectric lens antenna products. In order to strengthen the effectiveness of live network testing, several tests were carried out in various scenarios on many occasions with major telecommunication operators and demonstrated the test results to well-known mobile communication suppliers of system integration and system equipment. Nevertheless, the procurement activities of major communication operators and mobile communication suppliers of system integration and system equipment were delayed by the impact of COVID-19 during the year. Although the operating income of the Group was also affected for the year, no significant impact on the operating income of the Group in long term as the market demand for 5G communication development remained unchanged.

Accordingly, operating income from the operating segment of sales of antenna products and provision of related services for the year increased by approximately 46% from last year, of which over 92% was come from the new artificial dielectric lens antenna products.

Sales of underwater surveillance and related products

After improvement of existing products and development of new products in 2019, sales volume was increased during the year. Since large-scale marketing and promotion activities were not carried out due to influence of COVID-19 and partial available resources were deployed to the operating segment of sales of antenna products and provision of related services, the scale of operation was remained the same as last year.

Operating income from the operating segment of underwater surveillance and related products for the year was approximately RMB1.49 million, representing approximately 13% of the main business income of the Group.

Sales of aircraft products

After product development and upgrading in 2019, sales activities restarted for the year and the enhancement of communication capacities with 5G technologies is still in progress. In order to promote the products of the Group under the impact of COVID-19, the Group successively completed a number of sales of multi-rotor aircraft through market cooperation.

Operating income from the operating segment of sales of aircraft products for the year was approximately RMB2.05 million, representing approximately 18% of the main business income of the Group.

Sales of agricultural products

For the agricultural products, the Group mainly operated on the sale of live chicken, chicken meat and related non-staple food in Yi County of Hebei Province. Due to price decline and travel restriction by the impact of COVID-19 in the first half of 2020, the sales of agricultural products were declined with gross loss. The operations returned to normal in the second half of 2020 and close observation of the market environment was adopted to avoid further impact of COVID-19.

As a result, approximately RMB5.27 million operating income was generated from the operating segment of sales of agricultural products during the year, representing approximately 71% of that in 2019.

Sales of construction related products

In order to cope with the latest business development plan in the early 2020, the Group did not actively develop the operations and business as the price fluctuation risk was not controllable under prevailing market situation. Therefore, the available resources were used for the operating segment of sales of antenna products and provision of related services during the year.

No operating income from the operating segment of sales of construction related products was recorded during the year and the business development plan would be remained unchanged in the foreseeable future.

Others

Other business operating income was approximately RMB0.57 million for the year which was mainly attributable to rental income generated from office premises occupied by the Group.

GROSS PROFIT

Gross profit of approximately RMB2.85 million was recorded for the year with gross profit margin of approximately 23.38%, representing a significant increase of 19.89% as when comparing to gross profit margin of approximately 3.49% in 2019. The improvement in gross profit margin was mainly attributable to zero operating income from the operating segment of sales of construction related products by which low gross margin policy was adopted.

SEGMENT PERFORMANCE

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

Selling expenses were increased from approximately RMB0.69 million in 2019 to approximately RMB0.88 million for the year, representing an increase of approximately 27%, which was mainly attributable to relevant expenses for live network testing of the new artificial dielectric lens antenna products.

Amortisation costs of approximately RMB8.03 million was recognised for the patents of the new artificial dielectric lens antenna products 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 market demand for 5G communication development remained unchanged in long term and the procurement activities of antenna products would be accelerated to make up for the previous delay.

Research and development expenses was approximately RMB4.29 million for the new artificial dielectric lens antenna products during the year, which was mainly for further improvement and advance work on existing antenna products after live network testing and feedback from the market.

Management Discussion and Analysis

During the year, there was no significant impairment loss on receivables. A careful assessment on the creditworthiness of receivables was carried out, particularly focusing the impact of COVID-19 on all receivables, and no significant signs of impairment were found. On the contrary, approximately RMB0.31 million was received from impaired debts during the year.

In respect of assets, there were signs of impairment on advanced payments for purchase of land and above-ground attachments due to the boundary issue and approximately RMB5.50 million was recognised as impairment loss. Details of the boundary issue and basis of assessment are disclosed in the note XV.2 to the financial statements.

Segment profits of approximately RMB0.45 million and approximately RMB0.17 million were reported for the operating segments of sales of underwater surveillance and related products and sales of aircraft products respectively. Segment loss of approximately RMB19.28 million was reported for the operating segment of sales of antenna products and provision of related services as the sales volume was not sufficient to cover the relevant costs, especially amortisation costs of patents, due to delay in procurement activities. Segment loss of approximately RMB0.65 million was reported for the operating segment of sales of agricultural products due to poor market situation in the first half of 2020.

OTHER COSTS, EXPENSES, GAIN AND INCOME

Administrative expenses were increased from approximately RMB21.40 million in 2019 to approximately RMB28.65 million for the year, representing an increase of approximately 34%, in which approximately RMB8.04 million was accounted for amortisation costs of patents. Under the influence of COVID-19, an effective cost control arrangement was placed to minimise the overall administrative expenses.

Total staff costs of the Group were increased from approximately RMB9.33 million in 2019 to approximately RMB13.11 million for the year as additional marketing and technical staff was required for the market development of the new artificial dielectric lens antenna products for the year and foreseeable future.

Financial expenses for the year were approximately RMB0.29 million, representing approximately 9% of that in 2019. In order to minimise financial expenses, no new bank borrowings were raised by the Group and short-term interest-bearing borrowings of approximately RMB1.78 million were maintained during the year for operation.

Approximately RMB1.06 million was received from government as grants and subsidies under the impact of COVID-19 during the year, of which approximately RMB0.62 million was included in other gain.

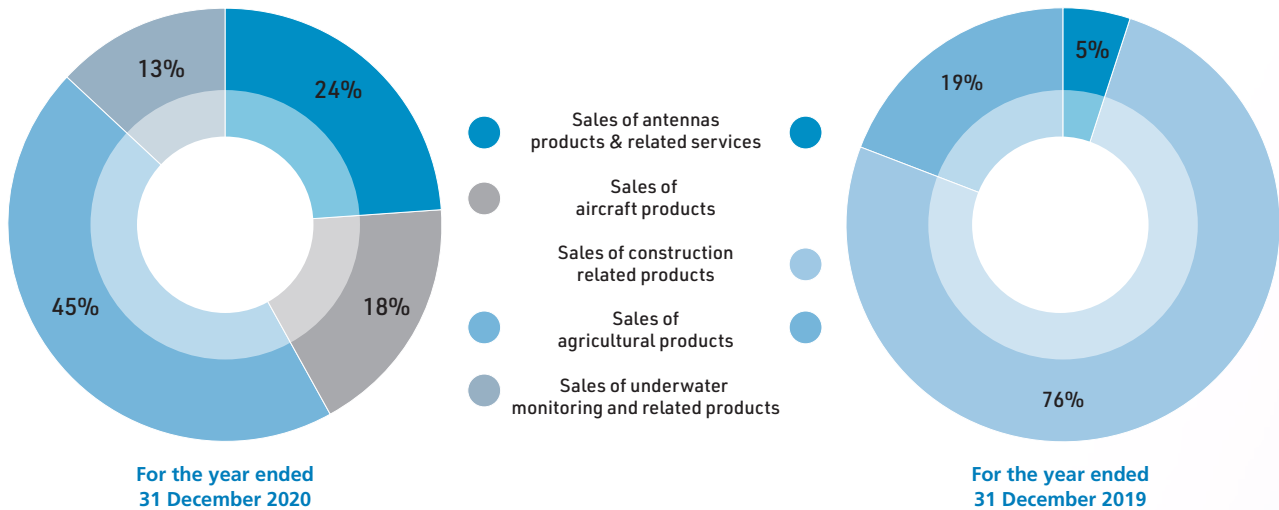
Approximately RMB0.96 million and approximately RMB0.11 million were recorded as investment gain for the sales of financial assets measured at fair value through profit or loss and as gain from change in fair value for the financial assets measured at fair value through profit or loss held at 31 December 2020 respectively. Details of financial assets measured at fair value through profit or loss are disclosed in the paragraph of "Significant Investment Held".

NET LOSS

Although the gross profit margin was significant increased and the total operating costs was decreased from approximately RMB63.81 million in 2019 to approximately RMB43.53 million for the year, the total operating income was not sufficient to cover the total operating costs and impairment loss. Net loss of approximately RMB34.54 million was reported for the year, which was approximately 43% more than net loss of approximately RMB24.10 million in 2019.

Net loss attributable to the shareholders of the parent company was approximately RMB34.19 million after accounting for minority profit and loss in respect of sales of agricultural products.

Composite of Group's main business income by reportable and operating segments for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, are provided as follows:



PROSPECTS

In 2021, based on the core competitiveness of the new artificial dielectric lens series of antenna products, the Group will continue to carry out our marketing works of the new artificial dielectric lens antenna and relevant products centring mobile communication industry according to the needs of market development and actively explore the application and cooperation of lens materials in other sectors.

The dielectric lens antenna of the Company is based on the theory of lumber ball lens to synthesise new lens materials with artificial dielectric. From formula to manufacturing process, the materials of which are pioneered both domestically and abroad and the lens antenna is widely favoured by the market due to its high product efficiency, wide coverage and significant reduction of the operator's operation and maintenance costs. Our next step is that the Company will continue to strengthen the scientific research results of new artificial dielectric lens antenna to complement market demand, so as to further improve the performance of antenna products and comprehensively enrich the series of related mobile communication products, with a view to establish key core competitiveness in the mobile communications sector. While the Company continues to enrich and improve mobile communication antenna products, we will also rely on artificial dielectric lens materials to actively explore those sectors such as WIFI, automotive electronics, remote sensing, satellite communications and special communications, and seek cooperation with related companies to develop relevant lens products that can be applied to other industries and sectors, so as to enhance the Company's results in an all-round approach.

In 2020, we made certain progress in the new artificial dielectric lens antenna market expansion. In 2021, the Group will continue to summarise our market promotion experience, seriously analyse market trends, and develop more comprehensive and more appropriate product promotion and marketing plans according to market conditions. We will increase the support of market talents, capital and technology, enhance market layout, and be more active in participating in all project bidding activities carried out by mobile communication operators, so as to facilitate the extensive communication and co-operation with operators and related mobile communication equipment manufacturers, and expand the Group's income in the mobile communication business. It is believed that based on the self-developed high-efficiency lens antenna products, the Group will surely make tremendous progress in the new generation of communication antenna market.

Management Discussion and Analysis

In addition, the Company will continue the synergistic development of other businesses including aviation and aerospace, marine technology, agricultural products, etc. and continue to enhance its investment in the research and development of aviation and aerospace and underwater testing equipment, as well as the communication and co-operation with domestic and overseas renowned technology research and development corporations, so as to build a structure with diversified development for the Group focusing on communication.

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

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2020, sales to the top five customers and the largest customer accounted for approximately 73.45% (2019: 80.55%) and 19.87% (2019: 61.25%) respectively of the Group's revenue.

For the year ended 31 December 2020, purchases from the top five suppliers and the largest supplier accounted for approximately 77.37% (2019: 76.98%) and 37.72% (2019: 36.72%) respectively of the Group's total purchases.

During the year ended 31 December 2020, each of the top five customers and the top five suppliers is independent of and not connected with any of the Directors, chief executives or any shareholders of the Company which, to the best knowledge of the Directors, own more than 5% of the Shares of the Company, or any of their respective associates.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by funds generated from operations, issue of shares, short-term borrowings, and lease liabilities under right-of-use assets. The short-term borrowings were mainly for daily operations and the lease liabilities were solely used for financing those assets and services under operating leases of the Group during the year. As at 31 December 2020, the Group had the short-term borrowings of approximately RMB1.78 million which were repayable within one year, and the lease liabilities of approximately RMB10.28 million which were classified in accordance with the lease terms.

During the year, the interest-bearing borrowings borne interest rate of 1% 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 2020, the gearing ratio of the Group was approximately 28.50% (2019: 11.44%), 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 decreased approximately from RMB5.68 million to RMB2.07 million. As at 31 December 2020, no bank deposit was pledged to secure any operations and liabilities of the Group.

FOREIGN EXCHANGE EXPOSURE

Since majority of the transactions of the Group are denominated in RMB, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review. The Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities. Details of policy in respect of foreign exchange risk are disclosed in note IX.2 to the financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

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 2020.

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

As at 1 January 2020, an aggregate of 5,080,004 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 0.64% of the total issued share capital of Cloud Live, and the fair value of 5,080,004 Cloud Live Shares was approximately RMB12.81 million, representing approximately 10.22% 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, an aggregate of 4,200,000 Cloud Live Shares was sold at approximately RMB11.55 million during the year. After accounting for the original acquisition costs and unrealised loss of fair value changes of approximately RMB16.55 million and RMB5.96 million respectively, an investment gain of approximately RMB0.96 million was reported. The sales proceeds were used for operation purposes in order to minimise financial expenses from interest-bearing borrowings for the year.

As at 31 December 2020, an aggregate of 880,004 Cloud Live Shares 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. Accordingly, the fair value of financial assets measured at fair value through profit or loss as at 31 December 2020 was approximately 33% lower than the original acquisition costs.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Company obtained 100% equity interest of a company which possess relevant qualifications for communication engineering contracting for RMB0.25 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 92 (2019: 73) full-time employees. Total staff costs for the year of 2020 amounted to approximately RMB13.11 million (2019: RMB9.93 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.4 to the financial statements.

CHARGES ON GROUP ASSETS

As at 31 December 2020, no assets of the Group were pledged for its operations and liabilities.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2020, 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 2020, except for those disclosed in note XV 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 2020, utilisation of net proceeds from equity fund raising activities is as follows:

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

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

Date of subscription agreements: 10 October 2017

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

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

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

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

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 2020.

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 2020, 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 Professor Lei Zhenya as independent non-executive directors. Biographies of the Directors are set out in the paragraph headed "Directors, Supervisors and Senior Management" of this annual report.

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

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

The Board is responsible for overseeing the preparation of accounts of each financial period, which shall give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. It is also responsible for formulating the Group's long-term strategy and supervising the management to ensure thorough implementation of the Group's policies and effective performance of their duties. Also, the Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of the Directors and senior management, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report. During the financial year ended 31 December 2020, 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 2020, 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 2020, the Board held 14 meetings.

Details of Directors' attendance records in 2020:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Xiao Bing	14/14	2/2
Mr. Chen Ji	14/14	2/2
Non-Executive Directors		
Mr. Sun Wenguo	14/14	0/2
Mr. Li Wenqi	14/14	2/2
Mr. Zuo Hong	14/14	2/2
Mr. Yan Weimin	14/14	0/2
Mr. Xu Xiong (appointed on 23 October 2020)	2/2	0/0
Ms. Huang Jing (resigned on 23 October 2020)	11/12	2/2
Independent Non-Executive Directors		
Mr. Zhang Jun	14/14	0/2
Professor Shi Ping	14/14	2/2
Mr. Tu Jijun	14/14	2/2
Professor Lei Zhenya	14/14	2/2

Continuous professional development

All Directors are required to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by the Directors during the financial year ended 2020 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 (appointed on 23 October 2020)	✓
Ms. Huang Jing (resigned on 23 October 2020)	✓
Independent Non-Executive Directors	
Mr. Zhang Jun	✓
Professor Shi Ping	✓
Mr. Tu Jijun	✓
Professor Lei Zhenya	✓

Code of conduct for securities transactions by Directors

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

Independence

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

REMUNERATION COMMITTEE

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

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

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

The Remuneration Committee held 1 meeting in 2020 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 2020, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

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

The Nomination Committee is responsible for formulating nomination policy, reviewing the structure, size and composition of the Board on a regular basis, implementing the Board Diversity Policy, assessing independence of independent non-executive Directors, identifying individuals suitably qualified to become Board members, and making recommendations to the Board on any proposed changes, selection and appointment of, and succession planning for Board members. The specific terms of reference of the Nomination Committee is posted on the Company’s website.

The Nomination Committee held 1 meeting in 2020 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 2020, 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 a non-executive Director, Ms. Huang Jing, on 23 October 2020, the Nomination Committee reviewed all appropriate candidates and recommended Mr. Xu Xiong 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 Professor Lei Zhenya 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 6 meetings in 2020 discussing the Group's annual results for 2019, quarterly results for 2020, 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 (appointed on 23 October 2020)	1/1
Ms. Huang Jing (resigned on 23 October 2020)	5/5
Independent Non-Executive Directors	
Professor Shi Ping	6/6
Professor Lei Zhenya	6/6

During the financial year ended 2020, 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 2020.

AUDITOR'S REMUNERATION

During 2020, the fees paid and payable to the external auditor for audit services and other services amounted to RMB0.76 million and RMB0.09 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 2020, there are following changes in the Company's articles of association:

- Adoption of China Accounting Standards for Business Enterprises for the preparation of financial statements
- Change of the notice period of annual general meetings and extraordinary general meetings (including class meetings) to 20 days and 15 days respectively
- Change in share capital and shareholding structure after new issue of domestic shares of the Company

Detailed of changes are more particularly described in the circular and announcement of the Company dated 31 December 2019 and 14 February 2020 respectively.

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 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 2020 ("Reporting Period").

For the Group's corporate governance structure and other relevant information, please refer to the corporate governance report on pages 11 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, 2020 is no doubt a year of severe challenges. In such an ever-changing era, in addition to endeavour to go all out in work for our business, we also take the responsibility to fight against the new coronavirus disease ("COVID-19") together with the world. With so many uncertainties caused by the COVID-19, the Group, like many other industries, must face the test affecting the macroeconomy. However, the Group will face the challenges with a rigorous and unrelenting attitude to encounter any difficulties.

Facing the ever-changing environment and market layout, we firmly believe that taking sustainable development as our strategic goal is the only way out. We are committed to operating under the principle of sustainable development and in an ethical, honest and transparent manner. Our operations are in complete compliance with all the applicable laws, regulations and standards. 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 the safety and quality of products in the production process.

Environmental, Social and Governance Report

In addition, we need to continuously and closely communicate with our stakeholders, e.g. customers, employees, communities, suppliers, business partners, investors and regulatory authorities, listening to their opinions on the development of society and environment. It is because of stakeholders' trust on the Company that we can achieve our sustainable development and operation.

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 new possibilities, and turn crises into opportunities.

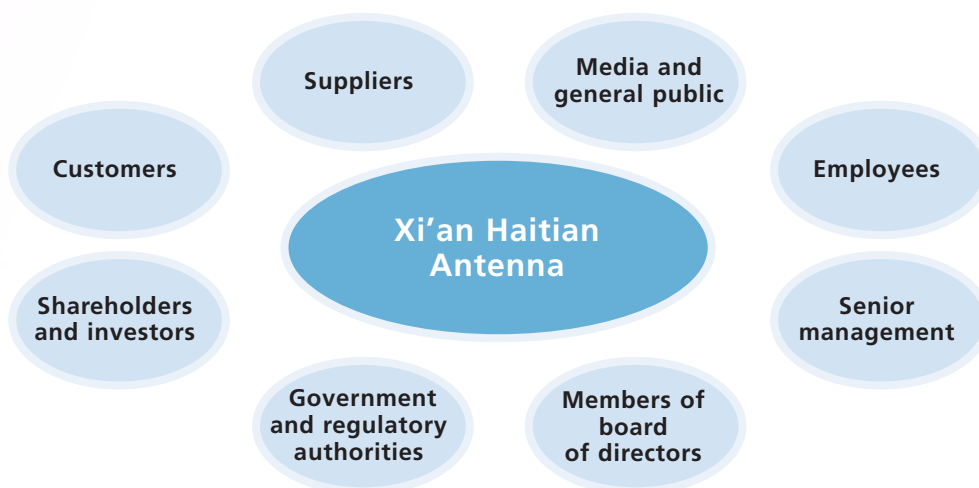
Reporting Principles

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 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:



	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.

Environmental, Social and Governance Report

For external stakeholders, the Company has established a strict internal control system and a comprehensive meeting system in accordance with the Company Law of the People's Republic of China (中華人民共和國公司法) 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.

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 Air Pollution Control Ordinance (Cap. 311 of Hong Kong Law), the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Waste Disposal Ordinance (Cap. 354 of Hong Kong Law), 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), Measures for the Control of Pollution from Electronic Information Products (電子信息產品污染控制管理辦法) and other relevant laws and regulations, to take relevant measures in terms of using and disposing of electronic solid waste and other waste. We do not dispose of and throw out 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” 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.

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.

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

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 nonhazardous pollutants that have a significant impact on the Group.

Environmental KPI

Emission type	Unit	2020	2019
Exhaust gas emissions			
Nitrogen oxides (NOx)	kg	13.47	9.11
Sulphur oxides (SOx)		0.29	0.04
Particulate matters (PM)		1.14	0.11
Greenhouse gas emissions			
Total greenhouse gas emissions (scope 1 and scope 2)	kg (equivalent of carbon dioxide)	197,188.39	169,399.00
Scope 1 – Direct emissions		52,580.00	31,857.00
Scope 2 – Indirect emissions		144,608.39	137,542.00
Intensity	kg/RMB million of revenue	31,093.12	5,400.59
Hazardous waste			
Total hazardous waste	kg	60.00	210.00
Intensity	kg/RMB million of revenue	9.46	6.69
Non-hazardous waste			
Total non-hazardous waste	kg	10,120.00	6,000.00
Intensity	kg/RMB million of revenue	1,595.74	191.29

Environmental, Social and Governance Report

Summary of Resources Consumption Data

Type of resources consumption	Unit	2020	2019
Energy consumption			
Total energy consumption	kWh	408,046.82	305,822.91
Electricity	kWh	215,221.01	171,927.00
Fuel oil	kWh	191,601.32	133,895.91
Natural gas ¹	kWh	1,224.49	–
Intensity	kWh/RMB million of revenue	64,341.77	9,749.91
Paper			
	kg	560.00	3100.00
Packaging materials			
Total packaging materials	kg	18,000.00	1,900.00
Plastic	kg	500.00	700.00
Corrugated papers	kg	17,500.00	1,200.00
Intensity	kg/RMB million of revenue	2,838.28	60.57
Water			
Total water consumption ²	m ³	3,997.34	1,326.00
Intensity	m ³ /RMB million of revenue	630.31	42.27

¹ Data on natural gas usage started to disclose in 2020.

² As Hong Kong office is unable to obtain water consumption data from the property management office for the time being, therefore it is not included. We will further improve the data disclosure in the future.

SOCIAL ASPECT

Employment and Labour Standard

During the Reporting Period, the Group employed 92 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 (Cap. 57 of Hong Kong Law), Labour Law of the People’s Republic of China (中華人民共和國勞動法), Labour Contract Law of the People’s Republic of China (中華人民共和國勞動合同法), 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 Policy

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.

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		2020	2019
Gender	Male	9%	7%
	Female	11%	7%

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.

Environmental, Social and Governance Report

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 pays attention to protection of employees from workplace harassment and bullying. We hold a very high personal moral and ethical standard of employees. Through training and information sharing, together with a stringent behavioural guidelines, we monitor and prohibit and harassment and bullying among employees at or outside our workplace.

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

Summary of Employee Data

		2020	2019
Total number of staff		92	73
By gender	Male	46	42
	Female	46	31
By types of employment	Full time	82	72
	Part time	10	1
By age group	Age below 30	12	10
	Age 30-39	38	28
	Age 40-49	26	21
	Age 50-59	14	12
	Age over 60	2	2

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".

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.

In the beginning of this year, COVID-19 spread across the country. 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.

Environmental, Social and Governance Report

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.

Number of Trained Employees and Training Hours:

Category			2020	2019
Total number of employees trained		Number of people	81	45
Trained employees as a percentage of total number of employees		Percentage	88	62
By gender	Male	Average number of hours	17	5
	Female	Average number of hours	22.32	5
By employee position	Executives	Average number of hours	37	6
	Others	Average number of hours	20	5

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

We evaluate the effects of the training and our employees' performance to adjust the training programs. 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 prioritising the internal promotion of existing employees, with a view to building their confidence and sense of belongings, as well as reducing employee turnover.

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

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 13 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.

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.

Environmental, Social and Governance Report

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.

Handling of Complaint and Product Recall

We have established a complete complaint handling and product recall mechanism, with specific and clear guidelines on the division of responsibilities and handling procedures. To address different types of complaint, we adopt an "accountability" handling mechanism which directs complaint to responsible departments. Designated officers will handle complaints from customers through a series of procedures including sending complaints, undergoing investigation, giving clear handling timeline, delivering results and conveying satisfaction surveys, to prevent any emergencies. As regards compensation claim on product recall, the Group has established a corresponding mechanism, and recall products, make exchange and settle compensation in accordance with the Law of the People's Republic of China on State Compensation (中華人民共和國國家賠償法) and other after-sale measures.

Protection of Privacy and Intellectual Property

We understand the vitality of protecting intellectual property and strictly comply with the Contract Law of the People's Republic of China (中華人民共和國合同法), 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 of the People's Republic of China (中華人民共和國反不正當競爭法) 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 “Regulations on Confidentiality of the Group’s Internal Information” 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.

Environmental, Social and Governance Report

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.

ESG REPORTING GUIDE OF THE STOCK EXCHANGE

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Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xiao Bing (肖兵先生), aged 55, 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 45, 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)諮詢有限公司金融部) from December 2003 to January 2006. He joined Shanghai Hui Da Feng Law Firm* (上海市滙達豐律師事務所) as a paralegal since February 2006 and became a lawyer and a partner, and was the founder partner of Shanghai Heng Lu Lawyers Alliance (Group) Firm* (上海恒律聯盟律師(集團)事務所) in October 2010. Mr. Chen was the vice-chairman of Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司), a company listed on The Shanghai Stock Exchange, for the period from November 2012 to November 2014. Mr. Chen was appointed as a director and elected as the chairman and the chief executive officer of Zhejiang Xinlian Co., Ltd.* (浙江信聯股份有限公司) on 2 March 2015 and 3 March 2015, respectively. Mr. Chen served as a director of Cloud Live Technology Group Co., Ltd.* (中科雲網科技集團股份有限公司), a company listed on The Shenzhen Stock Exchange, from November 2016 to March 2018, as the vice chairman from June 2017 to March 2018, and has been the chairman and the chief executive since 1 November 2018. Since June 2018, Mr. Chen has served as the chief representative of the Greater China region of the Bilateral Research Institute in the United States. Mr. Chen was an independent non-executive Director from 10 August 2012 to 13 April 2015, was appointed as an executive Director with effect from 13 April 2015, was the chairman of the Board from 29 June 2016 to 31 December 2018, and has been the vice chairman of the Board since 1 January 2019.

Non-Executive Directors

Mr. Sun Wenguo (孫文國先生), aged 45, 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 55, 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 57, 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) on 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 53, 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 48, 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 52, worked for Northwest Electrical Authority* (西北電業管理局) after graduation from Nanjing University of Science and Technology* (南京理工大學) in 1990. In 1993, he served as the regional sales director and the chief representative in Beijing of United States Harris Communications Equipment (Shenzhen) Co., Ltd.* (美國哈里斯(深圳)通信設備股份有限公司). In 2000, Mr. Zhang joined Beijing Dijie Communication Equipment Co., Ltd.* (北京地傑通信設備有限公司) as a marketing director, the general manager of overseas operations and the vice president. Since 2011, Mr. Zhang has been the managing director of Shenzhen Arrow Advanced Technology Co., Ltd.* (深圳愛勞高科技有限公司). Mr. Zhang has joined the Company as an independent non-executive Director since 28 June 2013.

Professor Shi Ping (師萍教授), aged 71, 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 Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司), 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). 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 54, graduated as a Bachelor of Engineering from Xidian University* (西安電子科技大學) in July 1986. Since November 1986, Mr. Tu has worked at the information technology department of Shaanxi Branch of Bank of China Co., Ltd.* (中國銀行股份有限公司陝西省分行). Mr. Tu has been appointed as an independent non-executive Director with effect from 21 August 2015.

Professor Lei Zhenya (雷振亞教授), aged 60, graduated from Xidian University* (西安電子科技大學, formerly known as Northwest Telecommunications Engineering College* (西北電訊工程學院)) in 1981, carried out work in the microwave teaching and research section after graduation and obtained a master degree in 1999. Professor Lei obtained the titles of technician, assistant engineer, engineer, senior engineer and professor in 1981, 1983, 1989, 1997 and 2007 respectively and served as a supervisor of the microwave laboratory, the deputy supervisor of the microwave teaching and research section, and the head of the microwave research institute from 1988. Professor Lei published 11 textbooks and monographs, announced more than 60 papers, undertaken more than 50 scientific research, obtained 4 provincial and ministerial awards, and several patents. Professor Lei has been appointed as an independent non-executive Director with effect from 19 October 2018.

Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Wang Xiaokun (王曉坤先生), aged 51, 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 51, 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同) from August 1992 to January 1996, engaged in supervising work at the finance department of Xi'an Kaiyuan Shopping Mall* (西安開元商場購物中心) 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 53, 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 Holdings 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.* (北京京泰投資管理中心), a promoter and shareholder of the Company, in July 2015, became the deputy manager (lead work) on 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 48, 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 46, 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 40, 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 has been a non-employee representative supervisor of the 4th supervisory committee 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 49, graduated from Shaanxi Financial Technological College* (陝西財政專科學校) with a major in finance in July 1994 and obtained the accountant qualification. Mr. Xu worked in the finance division of Xi'an State-owned Tractor Factory* (國營西安拖拉機製造廠) from 1994 to 2000, served as the financial supervisor of Xi'an Tianhao Plastic Steel Product Limited Liability Company* (西安添好塑鋼製品有限責任公司) from January 2001 to September 2003, and served as the project manager of Xi'an Pengguang Tax Agent & Bureau Co., Ltd.* (西安鵬光稅務師稅務所有限責任公司) from October 2003 to February 2005. Mr. Xu has worked in the finance department of the Company since March 2005 and is now the financial controller of the Company. Mr. Xu was a staff Supervisor from 18 April 2008 to 17 April 2014 and from 11 September 2015 to 28 June 2016.

Mr. Wu Aiqing (吳愛清先生), aged 40, 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 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 39, 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 35, 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 2020, 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 2020 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 2020 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
19 March 2021

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2020.

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 2020 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 2020.

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 2020.

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 2020 is set out on page 174 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 RMB0.62 million on plant and equipment and approximately RMB0.14 million on construction 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 (appointed on 23 October 2020)
Ms. Huang Jing (resigned on 23 October 2020)

Independent Non-Executive Directors

Mr. Zhang Jun
Professor Shi Ping
Mr. Tu Jijun
Professor Lei Zhenya

Supervisors

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

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.4 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 2020, 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 and interest in controlled corporation	46,071,000 (Note 3)	7.13%	2.43%
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.* (西安肖氏天线科技有限公司) ("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. 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 36,300,000 H Shares.
4. Ms. Lu Lihua (陸麗華女士) is a staff Supervisor.
5. Short position in 36,300,000 underlying H Shares are derived from unlisted and cash settled derivatives issued by Guotai Junan Financial, which is beneficially owned by Guotai Junan International. Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings, which is beneficially owned by Guotai Junan Securities. Zhongrong International, an investment manager of Gaoxiang Investment, holds such unlisted and cash settled derivatives issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. By virtue of the SFO, Mr. Chen Ji is deemed to have short position in the same 36,300,000 underlying H Shares.

Saved as disclosed above, as at 31 December 2020, 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 OF THE COMPANY

As at 31 December 2020, 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%
Ms. Wang Zengdi (王增娣女士)	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.* (北京京泰投資管理中心)	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)	Spouse interest and interest in controlled corporation	46,071,000 (Note 9)	7.13%	2.43%
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 by as to 60% by Ms. Wang Zengdi (王增娣女士). By virtue of the SFO, Ms. Wang Zengdi is deemed to be interested in the same 75,064,706 Domestic Shares.
- 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.* (北京京泰投資管理中心) ("Beijing Holdings"). By virtue of the SFO, Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司), which holds more than one third of voting rights of Beijing Holdings, is deemed to be interested in the same 54,077,941 Domestic Shares.
6. 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. 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 position in 36,300,000 underlying H Shares are derived from unlisted and cash settled derivatives issued by Guotai Junan Financial, which is beneficially owned by Guotai Junan International. Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings, which is beneficially owned by Guotai Junan Securities. Zhongrong International, an investment manager of Gaoxiang Investment, holds such unlisted and cash settled derivatives issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. By virtue of the SFO, each of Guotai Junan International, Guotai Junan Holdings, Guotai Junan Securities, Zhongrong International, Gaoxiang Investment and Ms. Sun Xiangjun is deemed to have short position in the same 36,300,000 underlying H Shares.

Saved as disclosed above, as at 31 December 2020, 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 2020, 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 2020.

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 2020 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 has undertaken and/or approved significant and discloseable connected transactions with connected persons of the Company (as defined under the GEM Listing Rules) as follows:

On 12 March 2020, 200,000,000 Domestic Shares were allotted and issued to the subscribers under specific mandate which was approved by the extraordinary general meeting on 19 March 2018 (more particularly described in the circular of the Company dated 2 February 2018). Pursuant to the specific mandate, 65,000,000 Domestic Shares were allotted and issued to each of Mr. Xiao Bing, an executive Director, and Shanghai Gaoxiang Investment Management Co., Ltd.* (上海高湘投資管理有限公司) which is beneficially owned by Mr. Chen Ji, an executive Director, and his spouse Ms. Sun Xiangjun (孫湘君女士) in equal share. The share capital of the Company immediately after the allotment and issue of 200,000,000 Domestic Shares is increased from 1,697,629,000 shares to 1,897,629,000 shares.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 11 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

19 March 2021



信永中和会计师事务所

ShineWing
certified public accountants

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

I. AUDIT OPINION

We have audited the attached financial statements of Xi'an Haitian Antenna Technologies Co., Ltd. (hereinafter referred to as Haitian Antenna), including Consolidated and Parent Company's Balance Sheets dated on 31 December 2020, 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 2020, 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 2020, 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. We also engaged an independent third-party lawyer to issue independent review opinion on Haitian Antenna's legal advice to understand the relevant legal relationship and legal consequences.
- (2) Reviewing the evaluation report as at 31 December 2020 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 2020, 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 RMB58,631,314.69, accounting for 55.20% 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 2020, 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 2020 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.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

ShineWing Certified Public Accountants
(special general partnership)

Certified Public Accountant of China:
(Project partner)

Certified Public Accountant of China:

Beijing, China

19 March 2021

Consolidated Balance Sheet

31 December 2020

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

Unit: RMB

Item	Note	31 December 2020	31 December 2019
Current assets:			
Cash at bank and on hand	VI, 1	2,065,197.50	5,675,029.60
Settlement reserve		—	—
Loans to banks and other financial institutions		—	—
Financial assets held for trading	VI, 2	2,334,010.60	12,805,610.08
Derivative financial assets		—	—
Notes receivable		—	—
Accounts receivable	VI, 3	2,165,411.16	911,289.64
Receivables financing		—	—
Advanced payments	VI, 4	706,310.57	2,555,414.14
Premiums receivable		—	—
Reinsurance premium receivable		—	—
Reinsurance contract reserves receivable		—	—
Other receivables	VI, 5	2,074,844.67	2,233,310.05
Of which: Interest receivable		—	—
Dividends receivable		—	—
Financial assets purchased under agreements to resell		—	—
Inventories	VI, 6	7,843,229.28	3,427,665.42
Contractual assets		—	—
Held-for-sale assets		—	—
Non-current assets due within one year		—	—
Other current assets	VI, 7	1,048,655.53	819,188.33
Total current assets		18,237,659.31	28,427,507.26
Non-current assets:			
Loans and advances to customers		—	—
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	6,152,972.24	6,815,669.29
Projects under construction	VI, 9	128,205.13	337,640.00
Bearer biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets	VI, 10	9,542,773.41	2,496,860.54
Intangible assets	VI, 11	58,939,423.05	66,722,943.01
Development expenditure	VI, 12	—	—
Goodwill		—	—
Long-term deferred expenses	VI, 13	180,236.65	1,976,094.58
Deferred income tax assets	VI, 14	—	—
Other non-current assets	VI, 15	13,042,225.16	18,546,000.00
Total non-current assets		87,985,835.64	96,895,207.42
Total assets		106,223,494.95	125,322,714.68

Consolidated Balance Sheet

31 December 2020

Item	Note	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings		–	–
Borrowings from the central bank		–	–
Loans from other banks and financial institutions		–	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	VI, 16	11,358,974.27	11,120,846.07
Advanced receipts	VI, 17	–	180,639.40
Contractual liabilities		–	–
Financial assets sold under agreements to repurchase		–	–
Deposits from customers and other financial institutions		–	–
Receiving from vicariously traded securities		–	–
Receiving from vicariously underwritten securities		–	–
Payroll payable	VI, 18	3,831,316.18	3,801,140.03
Taxes payable	VI, 19	1,905,375.50	2,023,412.35
Other payables	VI, 20	20,404,258.11	26,364,463.25
Of which: Interest payable		–	–
Dividends payable		–	–
Fees and commissions payable		–	–
Reinsurance amounts payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year	VI, 21	2,981,115.59	2,121,746.95
Other current liabilities	VI, 22	13,500,000.00	42,000,000.00
Total current liabilities		53,981,039.65	87,612,248.05
Non-current liabilities:			
Insurance contract reserves		–	–
Long-term borrowings		–	–
Bonds payable		–	–
Of which: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities	VI, 23	7,300,903.84	116,492.22
Long-term payables		–	–
Long-term payroll payable		–	–
Estimated liabilities		–	–
Deferred incomes		–	–
Deferred income tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		7,300,903.84	116,492.22
Total liabilities		61,281,943.49	87,728,740.27

Consolidated Balance Sheet

31 December 2020

Item	Note	31 December 2020	31 December 2019
Shareholders' equity:			
Capital stock	VI, 24	189,762,900.00	169,762,900.00
Other equity instruments		–	–
Of which: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserves	VI, 25	182,569,046.27	160,569,046.27
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	(346,442,138.02)	(312,249,722.09)
Total shareholders' equity attributable to the parent company		42,325,627.59	34,518,043.52
Minority shareholders' equity		2,615,923.87	3,075,930.89
Total shareholders' equity		44,941,551.46	37,593,974.41
Total liabilities and shareholders' equity		106,223,494.95	125,322,714.68

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Balance Sheet of Parent Company

31 December 2020

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

Unit: RMB

Item	Note	31 December 2020	31 December 2019
Current assets:			
Cash at bank and on hand		462,677.37	613,423.61
Financial assets held for trading		—	—
Derivative financial assets		—	—
Notes receivable		—	—
Accounts receivable	XVI, 1	540,502.96	604,943.64
Receivables financing		—	—
Advanced payments		—	111,000.00
Other receivables	XVI, 2	30,833,503.58	26,906,006.24
Of which: Interest receivable		—	—
Dividends receivable		—	—
Inventories		2,116,166.72	647,787.61
Contractual assets		—	—
Held-for-sale assets		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
Total current assets		33,952,850.63	28,883,161.10
Non-current assets:			
Creditor's right investment		—	—
Other creditor's right investment		—	—
Long-term receivables		—	—
Long-term equity investments	XVI, 3	50,458,068.73	50,458,068.73
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		—	—
Fixed assets		1,188,301.92	1,416,470.60
Projects under construction		—	—
Bearer biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		—	—
Intangible assets		62,985.30	77,805.30
Development expenditure		—	—
Goodwill		—	—
Long-term deferred expenses		—	1,219,028.86
Deferred income tax assets		—	—
Other non-current assets		13,042,225.16	18,546,000.00
Total non-current assets		64,751,581.11	71,717,373.49
Total assets		98,704,431.74	100,600,534.59

Balance Sheet of Parent Company

31 December 2020

Item	Note	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings		–	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable		3,194,994.53	4,844,189.53
Advanced receipts		–	–
Contractual liabilities		–	–
Payroll payable		2,501,857.26	2,560,954.02
Taxes payable		1,598,066.85	1,771,746.89
Other payables		20,135,895.82	18,328,551.62
Of which: Interest payable		–	–
Dividends payable		–	–
Held-for-sale liabilities		–	–
Non-current liabilities due within one year		–	–
Other current liabilities		13,500,000.00	42,000,000.00
Total current liabilities		40,930,814.46	69,505,442.06
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		40,930,814.46	69,505,442.06

Balance Sheet of Parent Company

31 December 2020

Item	Note	31 December 2020	31 December 2019
Shareholders' equity:			
Capital stock		189,762,900.00	169,762,900.00
Other equity instruments		-	-
Of which: Preferred shares		-	-
Perpetual bonds		-	-
Capital reserves		180,460,762.84	158,460,762.84
Less: Treasury shares		-	-
Other comprehensive income		-	-
Special reserves		-	-
Surplus reserves		16,435,819.34	16,435,819.34
Undistributed profits		(328,885,864.90)	(313,564,389.65)
Total shareholders' equity		57,773,617.28	31,095,092.53
Total liabilities and shareholders' equity		98,704,431.74	100,600,534.59

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Consolidated Income Statement

2020

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

Unit: RMB

Item	Note	2020	2019
I. Total operating income	VI, 28	12,177,460.98	39,163,021.88
Of which: Operating income		12,177,460.98	39,163,021.88
Interest income		–	–
Earned premiums		–	–
Handling fee and commission incomes		–	–
II. Total operating costs		43,531,343.13	63,807,660.85
Of which: Operating costs	VI, 28	9,330,714.11	37,795,984.51
Interest expenses		–	–
Handling fee and commission expenses		–	–
Cash surrender value		–	–
Net compensation expenses		–	–
Net appropriation of policy reserve		–	–
Policy dividend expenses		–	–
Reinsurance expenses		–	–
Taxes and surcharges	VI, 29	101,841.91	110,759.52
Selling expenses	VI, 30	876,427.11	688,949.99
Administrative expenses	VI, 31	28,648,154.58	21,400,702.24
R&D expenses	VI, 32	4,287,730.38	628,709.24
Financial expenses	VI, 33	286,475.04	3,182,555.35
Of which: Interest expenses		190,974.34	3,179,495.01
Interest income		9,499.02	19,357.36
Plus: Other gain	VI, 34	621,052.07	70,000.00
Investment gain (“–” for loss)	VI, 35	955,643.36	(2,109,911.57)
Of which: Gain from investment in associates and joint ventures		–	(1,039,916.57)
Derecognition gain of financial assets measured at the amortised cost		–	–
Exchange gain (“–” for loss)		–	–
Net exposure hedging gain (“–” for loss)		–	–
Gain from changes in fair value (“–” for loss)	VI, 36	114,400.52	(3,556,002.80)
Credit impairment loss (“–” for loss)	VI, 37	(5,046,446.72)	1,119,467.07
Assets impairment loss (“–” for loss)		–	–
Gain from assets disposal (“–” for loss)	VI, 38	–	(30,917.50)
III. Operating profit (“–” for loss)		(34,709,232.92)	(29,152,003.77)
Plus: Non-operating income	VI, 39	265,636.66	5,821,211.91
Less: Non-operating expenses	VI, 40	83,360.44	745,391.31
IV. Total profit (“–” for total loss)		(34,526,956.70)	(24,076,183.17)
Less: Income tax expenses	VI, 41	11,946.97	21,760.29
V. Net profit (“–” for net loss)		(34,538,903.67)	(24,097,943.46)
(I) By business continuity		(34,538,903.67)	(24,097,943.46)
1. Net profit from continuing operations (“–” for net loss)		(34,538,903.67)	(24,097,943.46)
2. Net profit from discontinued operations (“–” for net loss)		–	–
(II) By ownership		(34,538,903.67)	(24,097,943.46)
1. Net profit attributable to owners of the parent company (“–” for net loss)		(34,192,415.93)	(24,235,186.54)
2. Minority profit and loss (“–” for net loss)		(346,487.74)	137,243.08

Consolidated Income Statement

2020

Item	Note	2020	2019
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 parts of cash flow hedge profit or loss)		–	–
6. Translation difference of foreign currency financial statements		–	–
7. Others		–	–
Net of tax of other comprehensive income attributable to minority shareholders		–	–
VII. Total comprehensive income		(34,538,903.67)	(24,097,943.46)
Total comprehensive income attributable to shareholders of the parent company		(34,192,415.93)	(24,235,186.54)
Total comprehensive income attributable to minority shareholders		(346,487.74)	137,243.08
VIII. Earnings per share			
(I) Basic earnings per share (RMB/share)		(0.0185)	(0.0158)
(II) Diluted earnings per share (RMB/share)		(0.0185)	(0.0158)

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Income Statement of Parent Company

2020

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

Unit: RMB

Item	Note	2020	2019
I. Operating income	XVI, 4	3,045,699.78	2,279,596.82
Less: Operating costs	XVI, 4	632,056.66	1,947,402.59
Taxes and surcharges		13,092.91	21,307.00
Selling expenses		597,087.28	407,394.78
Administrative expenses		9,806,668.00	11,009,457.80
R&D expenses		3,701,564.19	637,606.20
Financial expenses		12,695.32	29,813.78
Of which: Interest expenses		—	—
Interest income		1,477.68	752.77
Plus: Other gain		177,558.61	50,000.00
Investment gain ("—" for loss)	XVI, 5	—	(1,039,916.57)
Of which: Gain from investment in associates and joint ventures		—	(1,039,916.57)
Derecognition gain of financial assets measured at amortised cost		—	—
Net exposure hedging gain ("—" for loss)		—	—
Gain from changes in fair value ("—" for loss)		—	—
Credit impairment loss ("—" for loss)		(3,918,242.44)	(2,822,491.64)
Assets impairment loss ("—" for loss)		—	—
Gain from assets disposal ("—" for loss)		—	(30,917.50)
II. Operating profit ("—" for loss)		(15,458,148.41)	(15,616,711.04)
Plus: Non-operating income		137,795.20	18,157.90
Less: Non-operating expenses		1,122.04	625,836.25
III. Total profit ("—" for total loss)		(15,321,475.25)	(16,224,389.39)
Less: Income tax expenses		—	—
IV. Net profit ("—" for net loss)		(15,321,475.25)	(16,224,389.39)
(I) Net profit from continuing operations ("—" for net loss)		(15,321,475.25)	(16,224,389.39)
(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 parts of cash flow hedge profit or loss)		—	—
6. Translation difference of foreign currency financial statements		—	—
7. Others		—	—
VI. Total comprehensive income		(15,321,475.25)	(16,224,389.39)

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Consolidated Cash Flow Statement

2020

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

Unit: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		15,226,190.42	44,300,156.59
Net increase in deposits from customers and other financial institutions		-	-
Net increase of borrowings from the central bank		-	-
Net increase in loans from other financial institutions		-	-
Cash received from premiums of original insurance contract		-	-
Net cash received reinsurance business		-	-
Net increase in deposits and investment amount from policyholders		-	-
Cash received from interests, fees and commissions		-	-
Net increase in loans from other banks and financial institutions		-	-
Net increase in funds for repurchase business		-	-
Net cash from vicariously traded securities		-	-
Refund of taxes and surcharges		-	677,390.41
Other cash received relating to operating activities	VI, 42	1,982,302.81	3,511,805.43
Subtotal of cash inflows from operating activities		17,208,493.23	48,489,352.43
Cash paid for purchase of goods and receipt of services		15,319,661.33	43,253,254.84
Net increase in loans and advances to customers		-	-
Net increase in deposits with the central bank and other banks		-	-
Cash paid for claim settlements on original insurance contract		-	-
Net increase in financial assets held for trading purposes		-	-
Net increase in lendings to banks and other financial institutions		-	-
Cash paid for interests, fees and commissions		-	-
Cash paid for policy dividends		-	-
Cash paid to and for employees		12,157,759.60	10,317,223.93
Taxes and surcharges paid		385,067.13	295,677.52
Other cash paid relating to operating activities	VI, 42	8,443,265.66	9,529,208.69
Subtotal of cash outflows for operating activities		36,305,753.72	63,395,364.98
Net cash flows from operating activities		(19,097,260.49)	(14,906,012.55)
II. Cash flows from investing activities:			
Cash received from recouping investment		11,545,151.89	72,093.44
Cash received from investment gain		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		11,545,815.45	72,093.44

Consolidated Cash Flow Statement

2020

Item	Note	2020	2019
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		882,189.00	941,022.32
Cash paid to acquire investments		3,000.00	4,539,180.00
Net increase in pledge loans		–	–
Net cash paid for acquisition of subsidiaries and other business entities		–	(611,469.57)
Other cash paid relating to investing activities		–	–
Subtotal of cash outflows for investing activities		885,189.00	4,868,732.75
Net cash flows from investing activities		10,660,626.45	(4,796,639.31)
III. Cash flows from financing activities:			
Cash received from absorbing investment		13,500,000.00	27,300,000.00
Of which: Cash received from minority shareholders' investment in subsidiaries		–	–
Cash received from borrowings		–	52,467,891.62
Cash received from insurance of bonds		–	–
Other cash received relating to financing activities	VI, 42	2,547,520.84	18,000,000.00
Subtotal of cash inflows from financing activities		16,047,520.84	97,767,891.62
Cash paid for repayment of debts		–	50,000,000.00
Cash paid for distribution of dividends, profits or repayment of interests		113,519.28	3,066,666.66
Of which: Dividends and profits paid to minority shareholders by subsidiaries		–	–
Other cash paid relating to financing activities	VI, 42	11,107,919.12	26,225,011.39
Subtotal of cash outflows for financing activities		11,221,438.40	79,291,678.05
Net cash flows from financing activities		4,826,082.44	18,476,213.57
IV. Effect of foreign exchange rate changes on cash and cash equivalents		719.50	7,634.55
V. Net increase in cash and cash equivalents		(3,609,832.10)	(1,218,803.74)
Plus: Beginning balance of cash and cash equivalents		5,675,029.60	6,893,833.34
VI. Ending balance of cash and cash equivalents		2,065,197.50	5,675,029.60

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Cash Flow Statement of Parent Company

2020

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

Unit: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		3,207,603.82	2,999,936.09
Refund of taxes and surcharges		-	-
Other cash received relating to operating activities		656,841.25	87,430.10
Subtotal of cash inflows from operating activities		3,864,445.07	3,087,366.19
Cash paid for purchase of goods and receipt of services		5,319,015.99	2,553,718.29
Cash paid to and for employees		5,482,906.12	4,328,938.55
Taxes and surcharges paid		17,935.77	154,923.36
Other cash paid relating to operating activities		5,536,558.36	6,069,281.65
Subtotal of cash outflows for operating activities		16,356,416.24	13,106,861.85
Net cash flows from operating activities		(12,491,971.17)	(10,019,495.66)
II. Cash flows from investing activities:			
Cash received from recouping 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 the purchase and construction of fixed assets, intangible assets and other long-term assets		70,640.00	-
Cash paid to acquire investments		-	4,500,000.00
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		70,640.00	4,500,000.00
Net cash flows from investing activities		(70,640.00)	(4,500,000.00)
III. Cash flows from financing activities:			
Cash received from absorbing investment		13,500,000.00	27,300,000.00
Cash received from borrowings		-	-
Cash received from issuance of bonds		-	-
Other cash received relating to financing activities		17,228,100.00	13,197,755.38
Subtotal of cash inflows from financing activities		30,728,100.00	40,497,755.38
Cash paid for repayment of debts		-	-
Cash paid for distribution of dividends, profits or repayment of interests		-	-
Other cash paid relating to financing activities		18,314,730.37	26,347,804.75
Subtotal of cash outflows for financing activities		18,314,730.37	26,347,804.75
Net cash flows from financing activities		12,413,369.63	14,149,950.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(1,504.70)	(12,350.36)
V. Net increase in cash and cash equivalents		(150,746.24)	(381,895.39)
Plus: Beginning balance of cash and cash equivalents		613,423.61	995,319.00
VI. Ending balance of cash and cash equivalents		462,677.37	613,423.61

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Consolidated Statement of Changes in Shareholders' Equity

2020

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

Unit: RMB

Item	2020												Minority shareholders' equity	Total shareholders' equity
	Total shareholders' equity attributable to the parent company													
	Capital stock	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others		
I. Ending balance of previous year	169,762,900.00	-	-	-	160,569,046.27	-	-	-	16,435,819.34	-	(312,249,722.09)	-	3,075,930.89	37,593,974.41
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger of businesses under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning balance of the year	169,762,900.00	-	-	-	160,569,046.27	-	-	-	16,435,819.34	-	(312,249,722.09)	-	3,075,930.89	37,593,974.41
III. Changes for the year (* for decrease)	20,000,000.00	-	-	-	22,000,000.00	-	-	-	-	-	(34,192,415.93)	-	(460,007.02)	7,347,577.05
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	(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
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	-	-	-	-	-	-	-	-	-	-	-	-	(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 carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Elimination of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Use in the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending balance of the year	189,762,900.00	-	-	-	182,569,046.27	-	-	-	16,435,819.34	-	(346,442,138.02)	-	2,615,923.87	44,941,551.46

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Consolidated Statement of Changes in Shareholders' Equity

2020

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

Unit: RMB

Item	2019													Minority shareholders' equity	Total shareholders' equity
	Total shareholders' equity attributable to the parent company														
	Capital stock	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others			
I. Ending balance of previous year	153,105,882.40	-	-	-	142,246,326.91	-	-	-	16,435,819.34	-	(288,014,535.55)	-	2,938,687.81	26,712,180.91	
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Merger of businesses under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Beginning balance of the year	153,105,882.40	-	-	-	142,246,326.91	-	-	-	16,435,819.34	-	(288,014,535.55)	-	2,938,687.81	26,712,180.91	
III. Changes for the year ("-" for decrease)	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	(24,235,186.54)	-	137,243.08	10,881,793.50	
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	(24,235,186.54)	-	137,243.08	(24,097,943.46)	
(II) Capital invested and reduction by shareholders	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	-	-	-	34,979,736.96	
1. Common shares invested by shareholders	16,657,017.60	-	-	-	18,322,719.36	-	-	-	-	-	-	-	-	34,979,736.96	
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Amount of share-based payment 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 carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Transfer from capital reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Transfer from surplus reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Elimination of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Appropriation in the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Use in the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Ending balance of the year	169,762,900.00	-	-	-	160,569,046.27	-	-	-	16,435,819.34	-	(312,249,722.09)	-	3,075,930.89	37,593,974.41	

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Statements of Changes in Shareholders' Equity of the Parent Company

2020

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

Unit: RMB

Item	2020											
	Capital stock	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Ending balance of previous year	169,762,900.00	-	-	-	158,460,762.84	-	-	-	16,435,819.34	(313,564,389.65)	-	31,095,092.53
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Beginning 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 (*-* 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 shareholders	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-over in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to capital stock	-	-	-	-	-	-	-	-	-	-	-	-
3. Elimination of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the year	-	-	-	-	-	-	-	-	-	-	-	-
2. Use in the year	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Ending 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:
Qiu Ping

Statements of Changes in Shareholders' Equity of the Parent Company

2020

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

Unit: RMB

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

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Qiu Ping

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 paid-in 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 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, an additional company, Haitian Chuangyao, was included due to acquisition in this year.

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

1 January 2020 to 31 December 2020 (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 Rules Governing the Listing of Securities on GEM issued by 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 the end of 31 December 2020, the current liabilities in the Group's consolidated financial statements were higher than the current assets by RMB35,743,380.34. The Company actively expanded its new antenna business to increase capital flow through shareholder financing. 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 2020 to 31 December 2020 (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.

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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 recognised 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

1 January 2020 to 31 December 2020 (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)*

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 transactions 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. The difference between the initial amount and due amount shall be amortised by the effective interest method, unless designated for the hedged items, and the gain or loss arising from its amortisation, impairment, exchange gain or loss and derecognition shall be included in the current profits and losses.

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

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 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.

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 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 contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) shall be included in the current profits and losses.

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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 (Continued)*

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 contract terms involving the transferred financial assets stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount) and the entire book value of the aforesaid financial assets amortised shall be included in the current profits and losses.

(2) Financial liabilities

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

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

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

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

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)*

(2) Financial liabilities *(Continued)*

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.

(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.

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

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.

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.

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

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.

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Accounts receivable

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

At the end of the period, a separate impairment test is performed on the receivables that have been impaired as proven by objective evidences. Regarding measurement of their expected credit losses, the impairment loss is 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 recognises the difference as impairment gains and makes opposite accounting records.

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

12. Other receivables

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

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

13. Inventories

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

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

At the end of the period, inventories are valued at the lower one of cost and net 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.

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

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

Accounting treatment: the Group calculates the expected credit loss of the contractual assets on the balance sheet date. If the expected credit losses are greater than the carrying amount of the current contractual asset 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.

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

15. Contract cost

(1) Determination method of assets related to contract costs

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

If the contract performance cost, namely, the cost incurred by the Group for the implementation of the contract, is not in the scope of the accounting standards for other enterprises and simultaneously meets the following conditions, it shall be 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.

(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.

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

16. Long-term equity investments

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

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

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

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

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

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

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

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

As to equity of the investee not under common control obtained step by step through multiple transactions and business combination finally completed, which belongs to a package deal, the Group performs accounting treatment by regarding all transactions as a transaction for acquiring control right. If it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost calculated by the cost method. If the equity held before the purchase date is calculated by equity method, other related comprehensive income calculated by the original equity method shall not be adjusted; and the accounting treatment shall be conducted as per the same basis as that of disposing related assets or liabilities of the investee when disposing of the investment. If the equity held before the purchase date were designated as financial assets at fair value through other comprehensive income, the cumulative gain or loss of the equity originally included in other comprehensive income should be transferred out of other comprehensive income and included in retained earnings; if they were financial assets at fair value through profit and loss, the gain or loss of the equity that was originally included in the profit and loss of the change in fair value does not need to be transferred to investment gain. If the equity held before the purchase date is an investment in other equity instruments, the changes in the fair value of the equity instrument investment accumulated in other comprehensive income before the purchase date shall be transferred to retained earnings.

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.

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.

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

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

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 will be calculated as per the available-for-sale financial assets, the balance between the fair value and book value thereof on the date the joint control or significant influence is lost shall be included in the current profits and losses. Other comprehensive income 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.

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 regulations related to recognition and measurement standards of financial instruments and the difference between fair value and book value on the date of losing the control shall be included in the current losses and profits.

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

17. Fixed assets

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

Fixed assets 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.

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

17. Fixed assets *(Continued)*

Other than fixed assets that are fully depreciated and remain in use as well as land that is separately measured and accounted, the 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.

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

18. 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.

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

19. Borrowing costs

The borrowing costs directly belonging to fixed assets, investment properties and inventories that require more than 1 year of acquisition or construction to be ready for intended use or selling shall be 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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Right-of-use assets (Continued)

(2) Subsequent measurement (Continued)

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.

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

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

21. Intangible assets *(Continued)*

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.

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.

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

22. Impairment of long-term assets

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

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;
- (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.

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

24. Contractual liabilities

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

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, post-employment benefit and dismissal benefit, including long-term compensated absences, long-term disability benefit, long-term profit sharing plan, etc.

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

26. Lease liabilities

(1) Initial measurement

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

1) *Lease payment*

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

2) *Discount rate*

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

(2) Subsequent measurement

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

The interest expenses of the lease liabilities within each lease term shall be calculated 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; (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 recognises revenue in accordance with the performance progress within that period of time and determines the performance progress in the method of completion percentage. When the performance progress cannot be reasonably determined, if the cost incurred by the Group can be expected to be compensated, revenue is 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.

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

28. Government subsidy

Government subsidy refers to the Group's acquisition of monetary or non-monetary assets from the government for free. Government subsidy is 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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(2) The Group as the lessee

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

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

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

30. Lease *(Continued)*

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

1) Lease changes

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

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

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

2) 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.

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.

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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

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.

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.

1 January 2020 to 31 December 2020 (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

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 straight-line method/other reasonable method. Rent incomes shall be recognised during the rent-free period. Where the Group bears certain expenses of the lessee, the expenses are deducted from the total rent income, and the balance of the rent income after deduction is allocated during the lease term.

Initial direct costs: The initial direct costs incurred by the Group related to operating leases shall be 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.

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.

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

V. TAXATION

1. Major taxes and tax rates

Tax type	Taxation basis	Tax rate (%)
Mainland China corporate income tax		
– VAT	Sales of products	13.00%
– 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%

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%

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

V. TAXATION (Continued)

2. Tax incentives

The corporate income tax rate applicable to Haitian Antenna is 15%. The Company obtained the "High-tech Enterprise Certificate", No. GR201861001115, on 29 November 2018 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 2020 corporate income tax is calculated and paid at the preferential tax rate of 15% 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%. 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 2020 corporate income tax is calculated and paid at the preferential tax rate of 15% 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 % is included in the taxable income, and the income tax rate for paying corporate income tax is 20%. 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 2020 to 31 December 2020 (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 2020; “closing” means 31 December 2020; “current year” means the year from 1 January to 31 December 2020; the “last year” means the year from 1 January to 31 December 2019. Unless otherwise specified, the currency unit is in RMB.

1. Cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	39,866.85	175,102.28
Bank deposits	1,941,186.76	5,414,744.65
Other monetary capitals	84,143.89	85,182.67
Total	2,065,197.50	5,675,029.60
Of which: Amount deposited overseas	217,930.01	104,822.40

Note: As of 31 December 2020, the Group does not have any fund that has restrictions on use and potential recovery risks due to mortgages, pledges or freezes.

2. Financial assets held for trading

Items	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	2,334,010.60	12,805,610.08
Of which: Investment in equity instruments	2,334,010.60	12,805,610.08
Total	2,334,010.60	12,805,610.08

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 debt provision method

Type	Book balance		Closing 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	0.00
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	0.00	0.00	161,861.00
Total	10,361,727.50	100.00	8,196,316.34	–	2,165,411.16

(Table continued)

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

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 debt 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
Xi'an Haitian Hi-tech Power Co., Ltd.	255,000.05	255,000.05	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	8,145,117.70	8,145,117.70	-	-

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)	1,857,340.80	31,457.84	1.69
2-3 years	197,408.00	19,740.80	10.00
Total	2,054,748.80	51,198.64	-

Other portfolio

Portfolio name	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Low-risk portfolio	161,861.00	0.00	0.00

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 aging analysis of accounts receivable based on the invoice date (which is equal to the relevant revenue recognition date) of the Group is as follows:

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	2,019,201.80	741,162.00
1-2 years	244,000.00	205,336.00
2-3 years	197,408.00	11,000.05
3-4 years	11,000.05	73,200.00
4-5 years	0.00	6,480,000.00
Over 5 years	7,890,117.65	1,410,117.65
Total	10,361,727.50	8,920,815.70

(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	Charge-off or write-off	
Provision for bad debts	8,009,526.06	186,790.28	17,662.59	(17,662.59)	8,196,316.34

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
China Mobile Communications Group Henan Co., Ltd.	17,662.59	Bank receipt	Recovered amount

(4) 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 RMB9,235,960.80, accounting for 89.14% 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 RMB7,811,457.84.

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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		Provision for bad debts
	Book balance Amount	Proportion (%)	
Within 1 year	666,160.57	17.97	0.00
1-2 years	40,150.00	1.08	0.00
Over 3 years	3,000,552.55	80.95	3,000,552.55
Total	3,706,863.12	100.00	3,000,552.55

(Table continued)

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

Note: 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

(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 RMB3,524,659.4, accounting for 95.08% of the balance of total advanced payments as at the end of the year.

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	2,074,844.67	2,233,310.05
Total	2,074,844.67	2,233,310.05

(1) Classification of other receivables by nature

Nature of fund	Closing book balance	Opening book balance
Deposits and security fund	1,136,675.04	805,348.54
Provisional deposit	841,720.51	1,316,095.27
Current accounts	173,607.26	581,769.55
Total	2,152,002.81	2,703,213.36

(2) Provision for bad debts of other receivables

Type	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	49,563.14	2.30	49,563.14	100.00	0.00
Provision for bad debts by portfolio	2,102,439.67	97.70	27,595.00	1.31	2,074,844.67
Of which: Aging portfolio	55,000.00	2.56	27,595.00	50.17	27,405.00
Low-risk portfolio	2,047,439.67	95.14	0.00	0.00	2,047,439.67
Total	2,152,002.81	100.00	77,158.14	-	2,074,844.67

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

(2) Provision for bad debts of other receivables (Continued)

(Table continued)

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

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

Name	Book balance	Closing balance		Reason for provision
		Provision for bad debts	Provision ratio (%)	
Xi'an New Haitian Communication Co., Ltd.	49,563.14	49,563.14	100.00	Expected to be unrecoverable

2) Provision for bad debts of other receivables by portfolio Aging portfolio

Aging	Book balance	Closing balance Provision for bad debts	Provision ratio (%)
1-2 years	35,000.00	7,595.00	21.70
Over 3 years	20,000.00	20,000.00	100.00
Total	55,000.00	27,595.00	-

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

(2) Provision for bad debts of other receivables (Continued)

- 2) Provision for bad debts of other receivables by portfolio (Continued)
Other portfolio

Portfolio name	Book balance	Closing balance Provision for bad debts	Provision ratio (%)
Low-risk portfolio	2,047,439.67	0.00	0.00

- 3) Other receivables presented by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	628,159.56	556,214.89
1-2 years	123,421.34	1,672,451.95
2-3 years	1,006,994.68	418,087.48
3-4 years	356,968.23	20,000.04
Over 5 years	36,459.00	36,459.00
Total	2,152,002.81	2,703,213.36

- 4) Provision for bad debts of other receivables

Type	Opening balance	Amount of changes for the year			Closing balance
		Recovered or Provision	Written-back	Write-off or charge-off	
Provision for bad debts	469,903.31	(84,316.86)	288,428.27	20,000.04	77,158.14

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 written-back reason
Shaanxi Tiandi Communication Development Co., Ltd.	288,428.27	Bank transfer	Recovered amount

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

(2) Provision for bad debts of other receivables (Continued)

5) Other receivables actually written off during the year

Items	Written-off amount
Current accounts	20,000.04

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
Zuo Hong	Provisional deposit	679,609.08	0-3 years	31.58	0.00
Changshu Dongfei Warehousing & Logistics Co., Ltd.	Deposit	440,385.60	2-3 years	20.46	0.00
Shanghai Shen Hang Import & Export Co., Ltd.	Security fund	300,000.00	3-4 years	13.94	0.00
China Mobile Communications Group Fujian Co., Ltd.	Security fund	177,274.40	1-3 years	8.24	0.00
Tourism Investment Group (HK)	Deposit	77,887.41	3-4 years	3.62	0.00
Total	-	1,675,156.49	-	77.84	0.00

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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	Book value
Raw materials	1,587,508.12	112,025.60	1,475,482.52
Goods in process	2,203,172.68	0.00	2,203,172.68
Inventory goods	3,636,864.04	211,501.19	3,425,362.85
Turnover materials	22,845.54	0.00	22,845.54
Goods delivered	716,365.69	0.00	716,365.69
Total	8,166,756.07	323,526.79	7,843,229.28

(Table continued)

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

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1 January 2020 to 31 December 2020 (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

Items	Opening balance	Increase for the year		Decrease for the year		Closing balance
		Provision	Others	Reversal or resale	Others	
Raw materials	1,322,895.94	0.00	0.00	1,210,870.34	0.00	112,025.60
Goods in process	230,985.27	0.00	0.00	230,985.27	0.00	0.00
Inventory goods	211,501.19	0.00	0.00	0.00	0.00	211,501.19
Goods delivered	2,787,843.22	0.00	0.00	2,787,843.22	0.00	0.00
Total	4,553,225.62	0.00	0.00	4,229,698.83	0.00	323,526.79

Note: The specific basis for the net realisable value in the current period is the amount of the estimated selling price of the inventory that the company can comprehensively judge after subtracting the estimated costs, estimated selling expenses and related taxes.

The reason for the reversal or resale of provision for inventory impairment for the current period is that external sales have been achieved.

7. Other current assets

Items	Closing balance	Opening balance
Input tax pending deduction	1,048,655.53	819,188.33

8. Fixed assets

Items	Closing book value	Opening book value
Fixed assets	6,152,972.24	6,815,669.29
Disposal of fixed assets	0.00	0.00
Total	6,152,972.24	6,815,669.29

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 category

Items	Housees & buildings	Machinery and equipment	Transportation vehicles	Office equipment	Total
I. Original book value					
1. Opening balance	2,283,510.82	3,379,740.95	3,764,881.04	4,047,531.05	13,475,663.86
2. Increase for the year	0.00	407,191.29	6,637.17	548,257.41	962,085.87
(1) Purchase	0.00	61,669.29	6,637.17	548,257.41	616,563.87
(2) Transfer from projects under construction	0.00	345,522.00	0.00	0.00	345,522.00
3. Decrease for the year	0.00	31,553.40	0.00	482,976.96	514,530.36
(1) Disposal or scrapping	0.00	31,553.40	0.00	482,976.96	514,530.36
4. Closing balance	2,283,510.82	3,755,378.84	3,771,518.21	4,112,811.50	13,923,219.37
II. Accumulated depreciation					
1. Opening balance	212,665.13	690,137.26	1,997,710.51	3,759,481.67	6,659,994.57
2. Increase for the year	81,917.75	532,909.65	701,147.25	261,176.63	1,577,151.28
(1) Provision	81,917.75	532,909.65	701,147.25	261,176.63	1,577,151.28
3. Decrease for the year	0.00	8,070.62	0.00	458,828.10	466,898.72
(1) Disposal or scrapping	0.00	8,070.62	0.00	458,828.10	466,898.72
4. Closing balance	294,582.88	1,214,976.29	2,698,857.76	3,561,830.20	7,770,247.13
III. Provision for impairment					
1. Opening balance	0.00	0.00	0.00	0.00	0.00
2. Increase for the year	0.00	0.00	0.00	0.00	0.00
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Closing book value	1,988,927.94	2,540,402.55	1,072,660.45	550,981.30	6,152,972.24
2. Opening book value	2,070,845.69	2,689,603.69	1,767,170.53	288,049.38	6,815,669.29

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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	337,640.00
Engineering materials	0.00	0.00
Total	128,205.13	337,640.00

(1) Projects under construction

Items	Book balance	Closing balance Provision for impairment	Book value
UAV mold	2,145,299.14	2,145,299.14	0.00
Antenna-specific equipment	128,205.13	0.00	128,205.13
Total	2,273,504.27	2,145,299.14	128,205.13

(Table continued)

Items	Book balance	Opening balance Provision for impairment	Book value
Breeding plant project	337,640.00	0.00	337,640.00
UAV mold	2,145,299.14	2,145,299.14	0.00
Total	2,482,939.14	2,145,299.14	337,640.00

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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	
Breeding plant project	337,640.00	7,882.00	345,522.00	0.00	0.00
UAV mold	2,145,299.14	0.00	0.00	0.00	2,145,299.14
Antenna-specific equipment	0.00	128,205.13	0.00	0.00	128,205.13
Total	2,482,939.14	136,087.13	345,522.00	0.00	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 (%)	
Breeding plant project	4,000,000.00	97.72	100.00	0.00	0.00	0.00	Self-raised
UAV mold	2,145,299.14	100.00	100.00	0.00	0.00	0.00	Self-raised
Antenna-specific equipment	480,000.00	26.71	26.71	0.00	0.00	0.00	Self-raised
Total	6,625,299.14	—	—	0.00	0.00	0.00	—

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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	5,129,718.40	337,714.80	5,467,433.20
2. Increase for the year	9,525,170.72	0.00	9,525,170.72
(1) Lease	9,525,170.72	0.00	9,525,170.72
3. Decrease for the year	0.00	0.00	0.00
4. Closing balance	14,654,889.12	337,714.80	14,992,603.92
II. Accumulated depreciation			
1. Opening balance	2,945,833.68	24,738.98	2,970,572.66
2. Increase for the year	2,460,668.05	18,589.80	2,479,257.85
(1) Provision	2,460,668.05	18,589.80	2,479,257.85
3. Decrease for the year	0.00	0.00	0.00
4. Closing balance	5,406,501.73	43,328.78	5,449,830.51
III. Provision for impairment			
1. Opening balance	0.00	0.00	0.00
2. Increase for the year	0.00	0.00	0.00
3. Decrease for the year	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00
IV. Book value			
1. Closing book value	9,248,387.39	294,386.02	9,542,773.41
2. Opening book value	2,183,884.72	312,975.82	2,496,860.54

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

11. 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	1,945,472.73	0.00	129,132,891.94
2. Increase for the year	0.00	0.00	0.00	1,769.91	250,000.00	251,769.91
(1) Purchase	0.00	0.00	0.00	1,769.91	0.00	1,769.91
(2) Increase from business combination	0.00	0.00	0.00	0.00	250,000.00	250,000.00
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	7,377,537.78	102,220,268.51	17,589,612.92	1,947,242.64	250,000.00	129,384,661.85
II. Accumulated amortisation						
1. Opening balance	2,086,031.76	35,590,730.80	17,589,612.92	1,852,067.43	0.00	57,118,442.91
2. Increase for the year	0.00	7,996,104.24	0.00	29,926.37	9,259.26	8,035,289.87
(1) Provision	0.00	7,996,104.24	0.00	29,926.37	9,259.26	8,035,289.87
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	2,086,031.76	43,586,835.04	17,589,612.92	1,881,993.80	9,259.26	65,153,732.78
III. Provision for impairment						
1. Opening balance	5,291,506.02	0.00	0.00	0.00	0.00	5,291,506.02
2. Increase for the year	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	5,291,506.02	0.00	0.00	0.00	0.00	5,291,506.02
IV. Book value						
1. Closing book value	0.00	58,633,433.47	0.00	65,248.84	240,740.74	58,939,423.05
2. Opening book value	0.00	66,629,537.71	0.00	93,405.30	0.00	66,722,943.01

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

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	0.00	4,287,730.38	0.00	0.00	4,287,730.38	0.00	0.00

13. Long-term deferred expenses

Items	Opening balance	Increase for the year	Amortisation for the year	Other decrease for the year	Closing balance

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	24,538,133.82	23,754,923.38
Deductible losses	107,056,942.95	89,995,495.09
Total	131,595,076.77	113,750,418.47

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

Year	Closing amount	Opening amount	Remarks
2020	–	11,961,734.00	
2021	15,093,755.05	15,093,755.05	
2022	17,144,712.57	17,144,712.57	
2023	19,237,807.65	19,237,807.65	
2024	26,557,485.82	26,557,485.82	
2025	29,023,181.86	–	
Total	107,056,942.95	89,995,495.09	

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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	0.00	18,546,000.00

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

16. Accounts payable

(1) Presentation of accounts payable

Items	Closing balance	Opening balance
Trade balances	11,358,974.27	11,120,846.07

(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 Shengjia Communication Equipment Technology Co., Ltd.	662,308.69	Unsettled
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
Xi'an Ruiyang Communication Technology Co., Ltd.	190,394.80	Unsettled
Chongqing Yuhua Telecommunication Co., Ltd.	158,983.72	Unpaid
Zhongshan Feibao Aviation Technology Co., Ltd.	80,000.00	Unpaid
Total	7,129,841.34	-

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

16. Accounts payable (Continued)

(3) Accounts payable presented by aging

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

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	3,264,389.13	9,422,028.51
1-2 years	6,711,502.27	298,991.46
2-3 years	273,603.50	99,135.64
Over 3 years	1,109,479.37	1,300,690.46
Total	11,358,974.27	11,120,846.07

17. Advanced receipts

Items	Closing balance	Opening balance
Trade balances	0.00	180,639.40

18. Payroll payable

(1) Classification of payroll payable

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Short-term remunerations	3,793,322.99	12,929,286.70	12,905,970.95	3,816,638.74
Post-employment benefits – defined contribution plans	7,817.04	183,124.62	176,264.22	14,677.44
Dismissal welfare	0.00	0.00	0.00	0.00
Total	3,801,140.03	13,112,411.32	13,082,235.17	3,831,316.18

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 (Continued)

(2) Short-term remunerations

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Wages, bonuses, allowances and subsidies	252,500.03	12,140,166.96	11,956,173.97	436,493.02
Staff welfare expenses	0.00	94,736.20	94,736.20	0.00
Social insurance premiums	4,690.20	383,157.38	380,494.02	7,353.56
Of which: Medical insurance premiums	4,026.96	367,816.22	365,279.98	6,563.20
Work-related injury insurance premiums	284.24	8,663.05	8,947.29	0.00
Maternity insurance premiums	379.00	6,678.11	6,266.75	790.36
Housing provident fund	0.00	237,840.00	237,840.00	0.00
Labor union expenditures and staff education funds	3,536,132.76	73,386.16	236,726.76	3,372,792.16
Total	3,793,322.99	12,929,286.70	12,905,970.95	3,816,638.74

(3) Defined contribution plans

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

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

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Basic endowment insurance	7,580.16	180,807.24	173,709.96	14,677.44
Unemployment insurance premiums	236.88	2,317.38	2,554.26	0.00
Total	7,817.04	183,124.62	176,264.22	14,677.44

The Group shall pay RMB183,124.62 (2019: RMB628,022.99) to the defined contribution plans participated in the year. As at 31 December 2020, the Group has payable premiums of RMB14,677.44 (31 December 2019: RMB7,817.04) due and not paid during the reporting period. The relevant payable premiums have been paid after the reporting period.

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

19. Taxes payable

Items	Closing balance	Opening balance
VAT	1,601,625.30	1,732,207.82
Corporate income tax	18,983.59	12,051.04
Urban maintenance and construction tax	2,455.64	258.47
Personal income tax	76,010.04	61,334.25
Education surcharge	1,754.03	178.97
Stamp duty	88,614.17	101,678.78
Water conservancy fund	115,932.73	115,703.02
Total	1,905,375.50	2,023,412.35

20. Other payables

Items	Closing balance	Opening balance
Interests payable	0.00	0.00
Dividends payable	0.00	0.00
Other payables	20,404,258.11	26,364,463.25
Total	20,404,258.11	26,364,463.25

(1) Classification of other payables by nature

Nature of fund	Closing balance	Opening balance
Current accounts of related parties	15,691,555.01	21,429,396.10
Current accounts	4,621,867.27	4,781,467.25
Deposit	69,235.71	69,235.71
Withholding payment	21,600.12	84,364.19
Total	20,404,258.11	26,364,463.25

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 (Continued)

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

Entity name	Closing balance	Reason for unsettlement or carrying forward
Chen Ji	2,152,800.73	Unpaid
Xiao Bing	1,830,362.05	Unpaid
Shaanxi New Sanqin Color Steel Co., Ltd.	827,560.42	Unpaid
Jingjiu Investment (Shanghai) Co., Ltd.	500,000.00	Unpaid
Total	5,310,723.20	-

21. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Lease liabilities due within one year	2,981,115.59	2,121,746.95

22. Other current liabilities

Items	Closing balance	Opening balance
Amounts payable to shareholders	13,500,000.00	42,000,000.00

23. Lease liabilities

Items	Closing balance	Opening balance
Lease liabilities	10,282,019.43	2,238,239.17
Less: Portion due within one year	2,981,115.59	2,121,746.95
Total	7,300,903.84	116,492.22

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

24. Capital stock

Items	Opening balance		Increase/decrease for the year (+/-)				Closing balance		
	Capital stock	Ratio (%)	Issuance of new share	Bonus share	Transfer of provident fund to shares	Others	Sub-total	Capital stock	Ratio (%)
Xi'an Tian An Corporate Management and Consulting Co., Ltd.	32,836,363.70	19.34	0.00	0.00	0.00	0.00	0.00	32,836,363.70	17.30
Shanghai Gaoxiang Investment Management Co., Ltd.	18,984,480.40	11.18	6,500,000.00	0.00	0.00	0.00	6,500,000.00	25,484,480.40	13.43
Xi'an Xiao's Antenna Technologies Co., Ltd.	15,746,869.80	9.28	0.00	0.00	0.00	0.00	0.00	15,746,869.80	8.30
Xi'an International Medical Investment Co., Ltd.	10,000,000.00	5.89	0.00	0.00	0.00	0.00	0.00	10,000,000.00	5.27
Shenzhen Huitai Investment Development Co., Ltd.	7,506,470.60	4.42	0.00	0.00	0.00	0.00	0.00	7,506,470.60	3.96
Xi'an Haorun Investment Co., Ltd.	7,000,000.00	4.12	0.00	0.00	0.00	0.00	0.00	7,000,000.00	3.69
Xiao Bing	0.00	0.00	6,500,000.00	0.00	0.00	0.00	6,500,000.00	6,500,000.00	3.43
Beijing Holdings Investment Management Co., Ltd.	5,407,794.10	3.19	0.00	0.00	0.00	0.00	0.00	5,407,794.10	2.85
Jin Rongfei	0.00	0.00	5,000,000.00	0.00	0.00	0.00	5,000,000.00	5,000,000.00	2.64
Zhang Jiandong	0.00	0.00	2,000,000.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00	1.05
Shaanxi Yinji Investment Ltd.	2,000,000.00	1.18	0.00	0.00	0.00	0.00	0.00	2,000,000.00	1.05
Shanghai Ruikou Trade Co., Ltd.	1,850,000.00	1.09	0.00	0.00	0.00	0.00	0.00	1,850,000.00	0.97
Shanghai Hongzhen Ningshang Investment Management Partnership (Limited Partnership)	1,850,000.00	1.09	0.00	0.00	0.00	0.00	0.00	1,850,000.00	0.97
Jiao Chengyi	1,094,303.00	0.64	0.00	0.00	0.00	0.00	0.00	1,094,303.00	0.58
Liao Kang	910,147.80	0.54	0.00	0.00	0.00	0.00	0.00	910,147.80	0.48
Sub-total of domestic shares	105,186,429.40	61.96	20,000,000.00	0.00	0.00	0.00	20,000,000.00	125,186,429.40	65.97
Xiao Bing	1,000,000.00	0.59	0.00	0.00	0.00	0.00	0.00	1,000,000.00	0.53
Chen Ji	977,100.00	0.58	0.00	0.00	0.00	0.00	0.00	977,100.00	0.51
Public	62,599,370.60	36.87	0.00	0.00	0.00	0.00	0.00	62,599,370.60	32.99
Sub-total of H shares	64,576,470.60	38.04	0.00	0.00	0.00	0.00	0.00	64,576,470.60	34.03
Total	169,762,900.00	100.00	20,000,000.00	0.00	0.00	0.00	20,000,000.00	189,762,900.00	100.00

Note: The additional capital stock for the current period was the capital increase of RMB42,000,000 received upon Haitian Antenna issued an additional 200,000,000 domestic shares at RMB0.21 per share, of which RMB20,000,000 was capital stock and RMB22,000,000 was capital reserves. The registration of industrial and commercial changes was completed on 23 April 2020.

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

25. Capital reserves

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Equity premium	133,712,767.48	22,000,000.00	0.00	155,712,767.48
Other capital reserves	26,856,278.79	0.00	0.00	26,856,278.79
Total	160,569,046.27	22,000,000.00	0.00	182,569,046.27

Note: Please refer to 24. Capital stock in VI. Material items of the consolidated financial statements for details.

26. Surplus reserves

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

27. Undistributed profits

Items	Current year	Last year
Ending balance of previous year	(312,249,722.09)	(288,014,535.55)
Plus: Adjustment of undistributed profits at the beginning of the year	0.00	0.00
Beginning balance of the year	(312,249,722.09)	(288,014,535.55)
Plus: Net profit attributable to owners of the parent company for the year	(34,192,415.93)	(24,235,186.54)
Less: Appropriation of statutory surplus reserves	0.00	0.00
Ending balance of the year	(346,442,138.02)	(312,249,722.09)

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

28. Operating income, operating costs

(1) Operating income and operating costs

Items	Amount incurred in current year		Amount incurred in last year	
	Income	Costs	Income	Costs
Main business	11,611,658.99	9,061,383.86	38,750,753.87	37,671,462.11
Other businesses	565,801.99	269,330.25	412,268.01	124,522.40
Total	12,177,460.98	9,330,714.11	39,163,021.88	37,795,984.51

(2) Main business income – by product

Items	Main business income for current year	Main business income for last year
Sales of agricultural products	5,269,793.53	7,384,006.11
Sales of antenna products and provision of related services	2,799,920.35	1,912,839.75
Sales of aircraft products	2,048,493.76	0.00
Sales of underwater monitoring products and related products	1,493,451.35	136,628.32
Sales of construction-related products	0.00	29,317,279.69
Total	11,611,658.99	38,750,753.87

29. Taxes and surcharges

Items	Amount incurred in current year	Amount incurred in last year
Environmental protection tax	61,509.10	50,139.71
Stamp duty	23,459.36	34,234.50
Urban maintenance and construction tax	9,388.45	23,375.76
Education surcharge	6,000.73	2,024.52
Water conservancy fund	1,484.27	985.03
Total	101,841.91	110,759.52

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

30. Selling expenses

Items	Amount incurred in current year	Amount incurred in last year
Travelling expenses	264,490.21	74,264.89
Business entertainment expenses	181,692.47	35,644.70
Payroll	162,365.81	144,872.98
Promotion and testing charges	115,635.95	12,869.37
Transportation charges	59,641.56	92,519.22
Publicity expenses	30,704.45	34,832.91
Office fees	25,605.40	15,714.60
Equipment depreciation expenses	1,965.66	372.83
Technical service fees	0.00	270,217.04
Others	34,325.60	7,641.45
Total	876,427.11	688,949.99

31. Administrative expenses

Items	Amount incurred in current year	Amount incurred in last year
Payroll	9,536,657.10	9,270,387.97
Amortisation of intangible assets	8,035,289.87	14,820.00
Depreciation of right-of-use assets	1,770,724.55	1,272,823.88
Amortisation of long-term deferred expenses	2,107,623.11	1,650,293.06
Intermediation fee	1,568,459.83	1,818,993.76
Depreciation expenses	931,849.32	1,024,062.81
Office fees	688,501.05	481,818.99
Vehicle expenses	647,411.63	791,523.41
Travelling expenses	583,430.77	1,387,837.53
Business entertainment expenses	478,557.86	958,194.82
Property management fee	472,850.74	199,664.79
Utilities	169,464.17	214,918.65
Expenses of the board of directors	92,000.00	87,000.00
Transportation charges	58,529.12	60,251.57
Communication fee	47,820.23	47,561.60
Disabled security fund	624.02	62,614.36
Auditor's remunerations	857,615.01	1,247,023.62
– Audit service fee	763,555.60	962,905.66
– Other service fee	94,059.41	284,117.96
Others	600,746.20	810,911.42
Total	28,648,154.58	21,400,702.24

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

32. R&D expenses

Items	Amount incurred in current year	Amount incurred in last year
Payroll	2,408,306.37	318,440.24
Depreciation expenses	194,545.84	137,824.68
Material fee	995,144.05	32,663.96
Travelling expenses	338,337.49	3,931.30
Test fees	220,597.51	0.00
Entertainment expenses	78,971.26	0.00
Development service fee	31,220.00	135,849.06
Office fees	20,607.86	0.00
Total	4,287,730.38	628,709.24

33. Financial expenses

Items	Amount incurred in current year	Amount incurred in last year
Interest expenses	190,974.34	3,179,495.01
Less: Interest income	9,499.02	19,357.36
Plus: Exchange loss	135,184.30	13,063.07
Less: Exchange gain	54,956.42	33,174.74
Other expenditures	24,771.84	42,529.37
Total	286,475.04	3,182,555.35

34. Other gain

Source of other gain	Amount incurred in current year	Amount incurred in last year
Job stabilisation subsidy	401,592.87	0.00
High-tech enterprise recognition subsidy	120,000.00	0.00
Technology plan project subsidy	4,500.00	0.00
Income tax handling fee refund	34,720.35	0.00
High-tech project subsidy	60,000.00	50,000.00
House rental tax rebate	238.85	0.00
Subsidy for standardising enterprise intellectual property management	0.00	20,000.00
Total	621,052.07	70,000.00

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

35. Investment gain

Items	Amount incurred in current year	Amount incurred in last year
Long-term equity investment gain accounted in equity method	0.00	(1,039,916.57)
Investment gain from disposal of financial assets held for trading	955,643.36	36,657.80
Others	0.00	(1,106,652.80)
Total	955,643.36	(2,109,911.57)

36. Gain from changes in fair value

Source of gain from changes in fair value	Amount incurred in current year	Amount incurred in last year
Financial assets measured at fair value through profit or loss	114,400.52	(3,556,002.80)

37. Credit impairment loss

Items	Amount incurred in current year	Amount incurred in last year
Bad debt loss of accounts receivable	169,127.69	(878,510.17)
Bad debt loss of other receivables	(372,745.13)	123,021.14
Bad debt loss of advanced payments	(253,710.68)	(363,978.04)
Bad debt loss of advanced payments for purchase of land and above-ground attachments	5,503,774.84	0.00
Total	5,046,446.72	(1,119,467.07)

38. Gain from assets disposal (“-” for loss)

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

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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

Items	Amount incurred in current year	Amount incurred in last year	Amount charged to non-recurrent profit or loss for the year
Gains from debt restructuring	0.00	29,633.69	0.00
Default compensation incomes	0.00	3,120,000.00	0.00
Payments that cannot be paid	262,021.60	1,002,581.27	262,021.60
Other gains	3,615.06	1,668,996.95	3,615.06
Total	265,636.66	5,821,211.91	265,636.66

40. Non-operating expenses

Items	Amount for current year	Amount for last year	Amount charged to non-recurrent profit or loss for the year
Loss from damage and scrap of non-current assets	47,631.64	0.00	47,631.64
Donation expenses	0.00	119,014.00	0.00
Compensation, liquidated damages and fines expenses	0.00	541.06	0.00
Other expenses	35,728.80	625,836.25	35,728.80
Total	83,360.44	745,391.31	83,360.44

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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 current year	Amount incurred in last year
Current income tax calculated according to tax law and relevant regulations	11,946.97	21,760.29
– Mainland China corporate income tax	11,946.97	21,760.29
– China Hong Kong profit tax	0.00	0.00
Deferred income tax expenses	0.00	0.00
Total	11,946.97	21,760.29

Note: 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 current year
Total consolidated profit in the year	(34,526,956.70)
Income tax expenses calculated at statutory/applicable tax rates	(5,179,043.51)
Impact of applying different tax rates to subsidiaries	(186,663.16)
Impact of adjustment of income tax of previous period	9,900.36
Impact of non-taxable incomes	42,062.94
Impact of non-deductible costs, expenses and losses	314,839.14
Impact of deductible losses from applying deferred income tax assets not recognised in previous period	0.00
Impact of deductible temporary differences or deductible losses of the deferred income tax assets not recognised for the year	6,343,946.63
Additional items that deductible under tax law	(1,333,095.43)
Income tax expenses	11,946.97

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 current year	Amount incurred in last year
Government subsidy	1,061,437.67	70,196.10
Current accounts	911,366.12	302,251.97
Interest income	9,499.02	19,357.36
Receipts of liquidated damages	0.00	3,120,000.00
Total	1,982,302.81	3,511,805.43

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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)

2) Other cash paid relating to operating activities

Items	Amount incurred in current year	Amount incurred in last year
Administrative expenses	6,479,283.28	7,141,508.11
R&D expenses	689,734.12	172,444.32
Current accounts	653,011.29	1,349,288.68
Cost of sales	596,459.69	303,222.40
Financial expenses	24,771.84	42,529.37
Non-operating expenditures	5.44	520,215.81
Total	8,443,265.66	9,529,208.69

3) Other cash received relating to financing activities

Items	Amount incurred in current year	Amount incurred in last year
Shareholders loan	2,547,520.84	17,500,000.00
Of which: Xiao Bing	1,527,722.29	1,500,000.00
Chen Ji	1,019,798.55	0.00
Shanghai Gaoxiang Investment Management Co., Ltd.	0.00	16,000,000.00
Recovery of subscription guarantee fund	0.00	500,000.00
Total	2,547,520.84	18,000,000.00

4) Other cash paid relating to financing activities

Items	Amount incurred in current year	Amount incurred in last year
Shareholders repayment	9,270,000.00	0.00
Of which: Shanghai Gaoxiang Investment Management Co., Ltd.	9,270,000.00	0.00
External borrowings	0.00	25,600,000.00
Of which: Suzhou Haitian New Antenna Technologies Co., Ltd.	0.00	25,600,000.00
Repayment of principal and interest on lease liabilities	1,837,919.12	625,011.39
Total	11,107,919.12	26,225,011.39

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 for current year	Amount of last year
1. Adjustment from net profit to cash flow from operating activities	–	–
Net profit	(34,538,903.67)	(24,097,943.46)
Plus: Depreciation allowance for assets	0.00	0.00
Credit impairment loss	5,046,446.72	(1,119,467.07)
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	1,577,151.28	1,616,410.15
Depreciation of right-of-use assets	2,479,257.85	1,272,823.88
Amortisation of intangible assets	8,035,289.87	14,820.00
Amortisation of long-term unamortised expenses	1,795,857.93	1,814,687.19
Losses from disposal of fixed assets, intangible assets and other long-term assets ("–" for gains)	0.00	30,917.50
Losses from scrapping of fixed assets ("–" for gains)	47,631.64	0.00
Losses from changes in fair value ("–" for gains)	(114,400.52)	3,556,002.80
Financial expenses ("–" for gains)	190,974.34	3,179,495.01
Investment losses ("–" for gains)	(955,643.36)	1,118,515.75
Decrease of deferred income tax assets ("–" for increase)	0.00	0.00
Increase of deferred income tax liabilities ("–" for decrease)	0.00	0.00
Decrease of inventory ("–" for increase)	(185,865.03)	2,436,062.64
Decrease of operating receivables ("–" for increase)	1,244,313.00	43,800,444.00
Increase of operating payables ("–" for decrease)	(3,719,370.54)	(48,528,780.94)
Others	0.00	0.00
Net cash flow from operating activities	(19,097,260.49)	(14,906,012.55)
2. Material Investment and financing activities not involving cash receipts and payments return	–	–
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds to be mature within one year	0.00	0.00
Fixed assets under financial lease	0.00	0.00
3. Net change of cash and cash equivalents	–	–
Ending balance of cash	2,065,197.50	5,675,029.60
Less: Beginning balance of cash	5,675,029.60	6,893,833.34
Plus: Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Net increase amount of cash and cash equivalents	(3,609,832.10)	(1,218,803.74)

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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	2,065,197.50	5,675,029.60
Of which: Cash on hand	39,866.85	218,791.36
Bank deposit that can be used for payment at any time	1,941,186.76	5,371,055.57
Other monetary fund that can be used for payment at any time	84,143.89	85,182.67
Cash equivalents	0.00	0.00
Of which: Bond investments due within three months	0.00	0.00
Closing balance of cash and cash equivalents	2,065,197.50	5,675,029.60
Of which: Cash and cash equivalents that the parent company or the subsidiaries in the Group are restricted to use	0.00	0.00

43. Foreign currency monetary items

Items	Closing balance in foreign currency	Conversion exchange rate	Closing balance converted to RMB
Monetary capitals	–	–	234,697.57
Of which: USD	9,609.33	6.5249	62,699.92
HKD	200,792.96	0.84164	168,995.39
AUD	598.50	5.0163	3,002.26

44. Government subsidy

Type	Amount	Presented items	Amount included in current profit and loss
Housing rent subsidy	440,385.60	Management fees	440,385.60
Job stabilisation subsidy	401,592.87	Other income	401,592.87
High-tech enterprise recognition subsidy	120,000.00	Other income	120,000.00
Income tax handling fee refund	34,720.35	Other income	34,720.35
High-tech project subsidy	60,000.00	Other income	60,000.00
Technology plan project subsidy	4,500.00	Other income	4,500.00
House rental tax rebate	238.85	Other income	238.85
Total	1,061,437.67	–	1,061,437.67

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

VII. CHANGES IN CONSOLIDATION SCOPE

1. Merger of businesses not under the same control

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

Name of the acquiree	Equity acquisition time point	Equity acquisition cost	Equity acquisition proportion (%)	Equity acquisition method
Xi'an Haitian Chuangyao Communication System Engineering Co., Ltd.	9 November 2020	250,000.00	100.00	Cash acquisition

(Table continued)

Name of the acquiree	Acquisition date	Determination basis of purchase date	Income of the acquiree from the acquisition date to the end of the year	Net profit of the acquiree from the acquisition date to the end of the year
Xi'an Haitian Chuangyao Communication System Engineering Co., Ltd.	9 November 2020	The date on which control is obtained as the purchase date	0.00	0.00

Note: Not under common control, the cash flow of the acquiree from the acquisition date to the end of the reporting period is zero.

(2) Consolidated costs and goodwill

Items	Xi'an Haitian Chuangyao Communication System Engineering Co., Ltd.
Cash	250,000.00
Fair value of the equity held prior to the purchase date on the purchase date	0.00
Total consolidated costs	250,000.00
Less: Fair value share of identifiable net assets acquired	250,000.00
Goodwill/The amount of the combination cost less than the fair value share of the identifiable net assets obtained	0.00

Note: The fair value of the consolidated cost is determined in accordance with the agreement, and that company has the "General Contracting of Communication Engineering Construction Grade III"《通信工程施工總承包三級》and "Safety License Qualification"《安全許可證資質》under its name.

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

The book value of the identifiable assets of the acquiree on the purchase date is RMB0.00, the fair value is RMB250,000.00, and the book value and fair value of the identifiable liabilities are both RMB0.00.

Notes to the Financial Statements

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VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the business group

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

* A subsidiary established in the PRC;

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

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1 January 2020 to 31 December 2020 (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%	(346,487.74)	113,519.28	2,615,923.87

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

Items	Yixian Hailan Natural Agricultural Development Co., Ltd.	
	Closing balance (amount incurred in current year)	Opening balance (amount incurred in last year)
Current assets	2,395,635.26	5,449,969.84
Non-current assets	3,448,789.80	3,827,509.40
Total assets	5,844,425.06	9,277,479.24
Current liabilities	403,604.85	825,284.39
Non-current liabilities	102,167.42	93,152.22
Total liabilities	505,772.27	918,436.61
Operating income	5,269,793.53	7,384,006.11
Net profit	(625,633.20)	280,087.92
Total comprehensive income	(625,633.20)	280,087.92
Cash flows from operating activities	(267,103.82)	218,251.22

(4) Others

As of 31 December 2020, the subsidiaries of the Company have not issued any share capital or debt securities.

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.

Notes to the Financial Statements

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IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

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 2020, 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 2020 (RMB)	31 December 2019 (RMB)
Monetary capitals – USD	62,699.92	66,942.15
Monetary capitals – AUD	3,002.26	2,923.25
Monetary capitals – HKD	168,995.39	54,848.65

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.

3) Price risk

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

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

(2) Credit risk

As of 31 December 2020, 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.

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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 2020:

Unit: RMB

Items	Within one year	One to two years	Two to five years	Over five years	Total
Financial assets					
Monetary capitals	2,065,197.50	0.00	0.00	0.00	2,065,197.50
Financial assets held for trading	2,334,010.60	0.00	0.00	0.00	2,334,010.60
Accounts receivable	2,019,201.80	0.00	452,408.05	7,890,117.65	10,361,727.50
Other receivables	550,244.21	123,421.34	1,441,878.26	36,459.00	2,152,002.81
Financial liabilities					
Accounts payable	3,264,389.13	6,711,502.27	1,383,082.87	0.00	11,358,974.27
Other payables	14,315,563.29	4,096,974.94	1,991,719.88	0.00	20,404,258.11
Payroll payable	3,831,316.18	0.00	0.00	0.00	3,831,316.18
Other current liabilities	13,500,000.00	0.00	0.00	0.00	13,500,000.00

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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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	2020		2019	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
All foreign currencies	Rise by 5% against RMB	11,734.88	11,734.88	6,235.70	6,235.70
All foreign currencies	Fall by 5% against RMB	(11,734.88)	(11,734.88)	(6,235.70)	(6,235.70)

(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.

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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	2,334,010.60	0.00	0.00	2,334,010.60
Total assets measured at fair value on a recurring basis	2,334,010.60	0.00	0.00	2,334,010.60
II. Non-sustained fair value measurement	–	–	–	–
Total liabilities measured at fair value on a recurring basis	0.00	0.00	0.00	0.00

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

For the continuous level-1 fair value measurement, the Group's financial assets measured at fair value through current profit or loss are stocks listed on the Shenzhen Stock Exchange, so the calculation is made on basis of the closing price on 31 December 2020.

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.

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related party relationships

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

1) *Equities of domestic shares in the Company*

Name	Identity	Number of domestic shares held	Proportion to domestic shares	Proportion to total shares	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	46,071,000	7.13%	2.43%	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 70% 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.

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (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) Equities of directors, supervisors and chief executive officer in the Company *(Continued)*

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

Note 3: Mr. Chen Ji directly holds 9,771,000 H shares. An investment product issued by Guotai Junan Financial Products Limited (Guotai Junan Financial) holds 36,300,000 H shares. The company is beneficially owned by Guotai Junan International Holdings Limited (Guotai Junan International). Guotai Junan International 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 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.

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 Tianditong Communication Development Co., Ltd.	An enterprise controlled by director (Zuo Hong is a nonexecutive director of the Company and a major shareholder of Shaanxi Tianditong, and Shaanxi Tianditong is owned by Zuo Hong as to 90%)
Xi'an Haitian Hi-tech Power Co., Ltd.	An enterprise controlled by director (Zuo Hong is a nonexecutive 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, deputy general manager	Senior management and director of the Company

2. Related party transaction

(1) Capital lending between related parties

Name of related party	Lending amount	Commencement date	Maturity date	Remarks
Borrowing				
Shanghai Gaoxiang Investment Management Co., Ltd.	8,130,000.00	-	-	
Xiao Bing	3,705,007.75	-	-	
Chen Ji	3,695,984.93	-	-	

(2) 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 current year	Amount incurred in last year
Total remunerations	4,634,593.55	5,338,730.99

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

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	255,000.05	255,000.05
Other receivables	Senior management and director of the Company Zuo Hong	679,609.08	0.00	763,838.08	0.00
	Enterprise controlled by director Shaanxi Tianditong Communication Development Co., Ltd.	0.00	0.00	288,428.27	288,428.27
Total		934,609.13	255,000.05	1,307,266.40	543,428.32

(2) Accounts Payable

Item name	Related party	Closing book balance	Opening book balance
Accounts payable	Senior management and director of the Company Xi'an Xiao's Antenna Technologies Co., Ltd	5,200,000.00	5,200,000.00
Other payables	Senior management and director of the Company Xiao Bing	3,705,007.75	1,840,596.24
	Chen Ji	3,695,984.93	2,130,264.56
	Shareholder of the Company Shanghai Gaoxiang Investment Management Co., Ltd.	8,130,000.00	17,400,000.00
Total		20,730,992.68	26,570,860.80

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XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

4. 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 current year					
Executive directors					
Xiao Bing	391,364.27	55,823.58	0.00	0.00	447,187.85
Chen Ji	701,321.13	26,853.94	0.00	0.00	728,175.07
Supervisors					
Li Tianzuo	154,100.63	53,392.00	0.00	0.00	207,492.63
Lu Lihua	86,031.60	34,671.20	0.00	0.00	120,702.80
Shang Lijian	0.00	0.00	0.00	0.00	0.00
Wang Xiaokun	12,000.00	0.00	0.00	0.00	12,000.00
Zhang Yi	12,000.00	0.00	0.00	0.00	12,000.00
Non-executive directors					
Sun Wenguo	6,000.00	0.00	0.00	0.00	6,000.00
Li Wenqi	6,000.00	0.00	0.00	0.00	6,000.00
Huang Jing	358,987.71	4,481.22	0.00	0.00	363,468.93
Yan Weimin	6,000.00	0.00	0.00	0.00	6,000.00
Xu Xiong	2,000.00	0.00	0.00	0.00	2,000.00
Zhang Jun	12,000.00	0.00	0.00	0.00	12,000.00
Lei Zhenya	12,000.00	0.00	0.00	0.00	12,000.00
Shi Ping	12,000.00	0.00	0.00	0.00	12,000.00
Tu Jijun	12,000.00	0.00	0.00	0.00	12,000.00
Zuo Hong	318,971.63	59,726.52	0.00	0.00	378,698.15
Total	2,102,776.97	234,948.46	0.00	0.00	2,337,725.43
Amount incurred in last year					
Executive directors					
Xiao Bing	405,626.26	34,930.80	0.00	0.00	440,557.06
Chen Ji	642,820.03	0.00	0.00	0.00	642,820.03
Supervisors					
Lu Lihua	103,200.00	22,088.32	0.00	0.00	125,288.32
Li Tianzuo	192,900.00	55,256.54	0.00	0.00	248,156.54
Shang Lijian	0.00	0.00	0.00	0.00	0.00
Wang Xiaokun	12,000.00	0.00	0.00	0.00	12,000.00
Zhang Yi	12,000.00	0.00	0.00	0.00	12,000.00
Shen Hongxiu	310,404.00	48,625.50	0.00	0.00	359,029.50
Non-executive directors					
Sun Wenguo	6,000.00	0.00	0.00	0.00	6,000.00
Li Wenqi	6,000.00	0.00	0.00	0.00	6,000.00
Zuo Hong	363,220.00	57,031.58	0.00	0.00	420,251.58
Huang Jing	324,000.00	0.00	0.00	0.00	324,000.00
Yan Weimin	6,000.00	0.00	0.00	0.00	6,000.00
Zhang Jun	12,000.00	0.00	0.00	0.00	12,000.00
Shi Ping	12,000.00	0.00	0.00	0.00	12,000.00
Tu Jijun	12,000.00	0.00	0.00	0.00	12,000.00
Lei Zhenya	12,000.00	0.00	0.00	0.00	12,000.00
Total	2,432,170.29	217,932.74	0.00	0.00	2,650,103.03

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

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

4. 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 4.(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 current year	Amount incurred in last year
Salary and allowance	2,203,431.32	2,224,446.39
Costs of social insurance, housing fund and related pension	183,920.00	118,263.16
Total	2,387,351.32	2,342,709.55

Scope of remuneration:

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

(3) During the year, none of the directors of the Company waived or agreed to waive any remuneration. 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 current year	Amount incurred in last year
Salary and allowance	4,947,149.45	5,062,708.50
Costs of social insurance, housing fund and related pension	471,108.46	366,022.49
Total	5,418,257.91	5,428,730.99

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

5. 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. CONTINGENCY

None.

XIII. COMMITMENT

None.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

None.

XV. OTHER IMPORTANT MATTERS

1. Private placement

On 23 September 2020, 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 12 June 2020, 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. As at 31 December 2020, the Company received a total of RMB13,500,000.00 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.

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XV. 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. As of the date of this report, the objection against the enforcement has not yet been decided.

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 in 2020 by the Company for the advanced payments related to the purchase of the land and above-ground attachments.

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.

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XV. 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	91,620,939.12	95,280,963.93
Sales of underwater monitoring products and related products	1,148,984.33	758,153.40
Sales of aircraft products	6,383,104.33	1,123,257.37
Sales of construction-related products	0.00	2,285,141.10
Sales of agricultural products	6,000,808.63	5,776,284.62
Total segment assets	105,153,836.41	105,223,800.42
Unallocated assets	1,069,658.54	20,098,914.26
Total consolidated assets	106,223,494.95	125,322,714.68

Segment liabilities:

Segment	Closing balance	Opening balance
Sales of antenna products and provision of related services	43,450,019.58	22,308,144.44
Sales of underwater monitoring products and related products	640,326.61	70,389.69
Sales of aircraft products	9,953,034.95	80,000.00
Sales of construction-related products	0.00	17,427,568.29
Sales of agricultural products	505,772.27	918,436.61
Total segment liabilities	54,549,153.41	40,804,539.03
Unallocated liabilities	6,732,790.08	46,924,201.24
Total consolidated liabilities	61,281,943.49	87,728,740.27

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XV. OTHER IMPORTANT MATTERS (Continued)

3. Segment information (Continued)

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

Segment incomes 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	2,799,920.35	870,998.30
Sales of agricultural products	5,269,793.53	5,702,791.01
Sales of underwater monitoring products and related products	1,493,451.35	1,101,625.62
Sales of aircraft products	2,048,493.76	1,385,968.93
Total	11,611,658.99	9,061,383.86

Segment revenue 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
Revenue:					
External sales	2,799,920.35	5,269,793.53	2,048,493.76	1,493,451.35	11,611,658.99
Segment profit (loss)	(19,276,305.86)	(649,491.52)	170,845.96	450,056.86	(19,304,894.56)
Unallocated other revenue	0.00	0.00	0.00	0.00	(1,056,237.46)
Unallocated corporate expenditures for changes in the fair value of financial assets at fair value through profit and loss	0.00	0.00	0.00	0.00	114,400.52
Financial costs	0.00	0.00	0.00	0.00	(286,475.04)
Unallocated incomes	0.00	0.00	0.00	0.00	2,146,660.28
Unallocated expenditures	0.00	0.00	0.00	0.00	(16,140,410.44)
Loss before tax	0.00	0.00	0.00	0.00	(34,526,956.70)

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XVI. NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Accounts receivable presented by bad debt provision method

Type	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	8,145,117.70	93.44	8,145,117.70	100.00	0.00
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	100.00	8,176,575.54	-	540,502.96

(Table continued)

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

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
Xi'an Haitian Hi-tech Power Co., Ltd.	255,000.05	255,000.05	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	8,145,117.70	8,145,117.70	-	-

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

1. Accounts receivable (Continued)

(1) Accounts receivable presented by bad debt 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)	571,960.80	31,457.84	5.50

(2) Accounts receivable presented by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	571,960.80	640,152.00
1-2 years	244,000.00	0.00
2-3 years	0.00	255,000.05
3-4 years	11,000.05	0.00
4-5 years	0.00	6,480,000.00
Over 5 years	7,890,117.65	1,410,117.65
Total	8,717,078.50	8,785,269.70

(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	
Provision for bad debts	8,180,326.06	(3,750.52)	17,662.59	(17,662.59)	8,176,575.54

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

The accounts receivable of top 5 debtors by closing balance in the year is RMB8,717,078.50 in total, the proportion to the total closing balance of accounts receivable is 100.00% and the corresponding closing balance of provision for bad debts is RMB8,176,575.54 in total.

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Other receivables

Items	Closing balance	Opening balance
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	30,833,503.58	26,906,006.24
Total	30,833,503.58	26,906,006.24

(1) Classification of other receivables by nature

Nature of fund	Closing balance	Opening balance
Current accounts	98,577,032.47	95,907,048.03
Provisional deposit	811,062.31	1,179,781.24
Deposits and security fund	227,274.40	0.00
Others	122,538.14	287,700.00
Total	99,737,907.32	97,374,529.27

(2) Provision for bad debts of other receivables

Type	Book balance Amount	Closing balance Proportion (%)	Provision for bad debts		Book value
			Amount	Provision ratio (%)	
Provision for bad debts by single item	68,876,808.74	69.06	68,876,808.74	100.00	0.00
Provision for bad debts by portfolio	30,861,098.58	30.94	27,595.00	0.09	30,833,503.58
Of which: Aging portfolio	55,000.00	0.05	27,595.00	50.17	27,405.00
Low-risk portfolio	30,806,098.58	30.89	0.00	0.00	30,806,098.58
Total	99,737,907.32	100.00	68,904,403.74	-	30,833,503.58

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Other receivables (Continued)

(2) Provision for bad debts of other receivables (Continued)

(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	70,446,048.03	72.35	70,446,048.03	100.00	0.00
Provision for bad debts by portfolio	26,928,481.24	27.65	22,475.00	0.08	26,906,006.24
Of Which: Aging portfolio	65,000.00	0.06	22,475.00	34.58	42,525.00
Low-risk portfolio	26,863,481.24	27.59	0.00	0.00	26,863,481.24
Total	97,374,529.27	100.00	70,468,523.03	-	26,906,006.24

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

Name	Book balance	Closing balance		Reason for provision
		Provisions for bad debts	Provision ratio (%)	
Xi'an Haitian Wireless System Equipment Co., Ltd.	38,601,273.17	38,601,273.17	100.00	Expected to be unrecoverable
Xi'an Haitian Communication System Engineering Co., Ltd.	12,772,039.23	12,772,039.23	100.00	Expected to be unrecoverable
Haitian Antenna (Shanghai) International Trade Co., Ltd.	12,302,135.81	12,302,135.81	100.00	Expected to be unrecoverable
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	3,436,597.69	3,436,597.69	100.00	Expected to be unrecoverable
Haitian Antenna Technologies (Hongkong) Limited	1,715,199.70	1,715,199.70	100.00	Expected to be unrecoverable
Xi'an New Haitian Communication Co., Ltd.	49,563.14	49,563.14	100.00	Expected to be unrecoverable
Total	68,876,808.74	68,876,808.74	-	-

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Other receivables (Continued)

(2) Provision for bad debts of other receivables (Continued)

2) Provision for bad debts of other receivables by portfolio
Aging portfolio

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
1-2 years	35,000.00	7,595.00	21.70
3-4 years	20,000.00	20,000.00	100.00
Total	55,000.00	27,595.00	-

Other portfolio

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Low-risk portfolio	30,806,098.58	0.00	0.00

3) Other receivables presented by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	19,952,488.15	53,145,157.88
1-2 years	38,322,305.40	2,884,454.90
2-3 years	1,472,197.28	11,632,124.50
3-4 years	11,532,124.50	22,590,497.20
4-5 years	21,351,497.20	7,122,294.79
Over 5 years	7,107,294.79	0.00
Total	99,737,907.32	97,374,529.27

4) Provision for bad debts of other receivables

Type	Opening balance	Provision	Amount of changes for the year		Closing balance
			Recovered or written-back	Write-off or charge-off	
Provision for bad debts	70,468,523.03	1,236,040.01	2,800,159.30	0.00	68,904,403.74

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Other receivables (Continued)

(2) Provision for bad debts of other receivables (Continued)

4) Provision for bad debts of other receivables (Continued)

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.	2,408,099.00	Bank transfer	Money received
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	392,060.30	Bank transfer	Money received
Total	2,800,159.30	–	–

5) 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	38,601,273.17	0-5 years	38.70	38,601,273.17
Suzhou Haitian New Antenna Technologies Co., Ltd.	Related party transactions	29,749,786.87	0-2 years	29.83	0.00
Xi'an Haitian Communication System Engineering Co., Ltd.	Related party transactions	12,772,039.23	0-2 years	12.81	12,772,039.23
Haitian Antenna (Shanghai) International Trade Co., Ltd.	Related party transactions	12,302,135.81	0-2 years	12.33	12,302,135.81
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	Related party transactions	3,436,597.69	0-5 years	3.45	3,436,597.69
Total	–	96,861,832.77	–	97.12	67,112,045.90

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Long-term equity investments

(1) Classification of long-term equity investments

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	118,055,568.73	67,597,500.00	50,458,068.73	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 Communication System Engineering Co., Ltd.	5,000,000.00	0.00	0.00	5,000,000.00	0.00	5,000,000.00
Xi'an Haitian Wireless System Equipment Co., Ltd.	20,000,000.00	0.00	0.00	20,000,000.00	0.00	20,000,000.00
Haitian Antenna (Shanghai) International Trade Co., Ltd.	20,000,000.00	0.00	0.00	20,000,000.00	0.00	20,000,000.00
Xi'an Haitian Marine Technologies Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	10,000,000.00
Xi'an Haitian Automotive Electronics Technologies Co., Ltd.	1,000,000.00	0.00	0.00	1,000,000.00	0.00	1,000,000.00
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	10,000,000.00
Beijing Hailan Taihang Technologies Development Co., Ltd.	1,000,000.00	0.00	0.00	1,000,000.00	0.00	0.00
Wuxi Shanshui Haitian Network Technologies Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
Haitian Antenna Technologies (Hongkong) Limited	1,597,500.00	0.00	0.00	1,597,500.00	0.00	1,597,500.00
Suzhou Haitian New Antenna Technologies Co., Ltd.	39,458,068.73	0.00	0.00	39,458,068.73	0.00	0.00
Total	118,055,568.73	0.00	0.00	118,055,568.73	0.00	67,597,500.00

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVI. 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 current year		Amount incurred in last year	
	Income	Costs	Income	Costs
Main business	2,851,985.50	632,056.66	1,867,328.81	1,796,402.59
Other businesses	193,714.28	0.00	412,268.01	151,000.00
Total	3,045,699.78	632,056.66	2,279,596.82	1,947,402.59

(1) Main business income – by product

Sales of goods	Main business income in current year	Main business income in last year
Antenna products	2,851,985.50	1,867,328.81

5. Investment gain

Items	Amount incurred in current year	Amount incurred in last year
Long-term equity investment gain accounted in equity method	0.00	(1,039,916.57)

XVII. APPROVAL OF FINANCIAL REPORT

The financial report have been approved and submitted by the board of directors of the Company on 19 March 2021.

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	0.00	
Tax refunds or reductions without authorised approval or without official approval documents or on an occasional basis	0.00	
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)	1,061,437.67	
Finance charges from non-financial enterprises recognised in profit or loss of the current period	0.00	
Incomes generated when the investment cost for the company to acquire the subsidiary, associate and joint venture is less than the fair value share of the identifiable net assets of the investee when the investment is acquired	0.00	
Profit or loss from exchange of non-monetary assets	0.00	
Gain or loss from entrusted investments or assets management	0.00	
Provision for impairment of assets due to force majeure such as natural disasters	0.00	
Profit or loss from debt restructuring	0.00	
Corporate restructuring costs, such as employee layoff expenses and integration costs	0.00	
Profit or loss representing the difference between the unfair transaction consideration and the fair value of the transaction	0.00	
Net profit or loss of subsidiary acquired in business combination under common control from the beginning of the year to the business combination date	0.00	
Profit or loss from contingencies not related to the ordinary operations of the Company	0.00	
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	0.00	

Notes to the Financial Statements

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVII. APPROVAL OF FINANCIAL REPORT (Continued)

Supplemental information to the financial statements (Continued)

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

Items	Amount for the year	Notice
Write-back of provision for impairment of receivables and contractual assets subject to separate impairment test	306,090.86	
Profit or loss from external entrusted loans	0.00	
Profit or loss from changes in fair value of investment properties using the fair value model for subsequent measurement	0.00	
Effect of one-off adjustment to profit or loss for the current period in accordance with the requirements of laws and regulations on taxation and accounting	0.00	
Fees income from custodian business	0.00	
Other non-operating income and expenses other than the above	182,276.22	
Other gain or loss items meeting the definition of non-recurring gains or losses	0.00	
Sub-total	1,549,804.75	
Less: Income tax impact	0.00	
Impact on minority interests (after-tax)	0.00	
Total	1,549,804.75	—

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	EPS (RMB/share)	
		Basic EPS	Diluted EPS
Net profit attributable to the ordinary shareholders of the parent company	(69.89)	(0.0185)	(0.0185)
Net profit attributable to the ordinary shareholders of the parent company after deduction of non-recurring gains and losses	(73.06)	(0.0193)	(0.0193)

The calculation method of the numerator of basic EPS: Net profit attributable to the shareholders of the parent company -34,192,415.93.

1 January 2020 to 31 December 2020 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVII. APPROVAL OF FINANCIAL REPORT *(Continued)*

Supplemental information to the financial statements *(Continued)*

2. Return on net assets and earnings per share *(Continued)*

The calculation method of the denominator of basic EPS: Weighted average number of ordinary shares outstanding = Total number of shares at the beginning of the year (1,697,629,000.00) + Number of shares increased by issuance of new shares or conversion of debts into shares (200,000,000.00) * Number of months accumulated from the month following the month of share increase (II) to year end (9)/Number of months in the reporting period (12) = RMB1,847,629,000.00.

The calculation method of the numerator of diluted EPS: Net profit attributable to the shareholders of the parent company -34,192,415.93.

The calculation method of the denominator of diluted EPS: Weighted average number of ordinary shares outstanding 1,847,629,000.00 + Weighted average number of ordinary shares increased by warrants, share options, convertible bonds, etc. (0) = RMB1,847,629,000.00.

Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Total assets	106,223,494.95	125,322,714.68	60,702,283.48	89,475,586.66	124,072,968.20
Total liabilities	61,281,943.49	87,728,740.27	33,990,102.57	21,795,809.54	39,639,192.68
Total shareholders' equity	44,941,551.46	37,593,974.41	26,712,180.91	67,679,777.12	84,433,775.52

CONSOLIDATED INCOME STATEMENT

	For the year of 2020	For the year of 2019	For the year of 2018	For the year of 2017	For the year of 2016
Operating revenue	12,177,460.98	39,163,021.88	44,455,522.46	60,212,890.81	38,343,495.72
Net profit ("-" for net loss)	(34,538,903.67)	(24,097,943.46)	(40,967,596.21)	(16,753,998.40)	(37,656,283.63)