THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Xi'an Haitian Antenna Technologies Co., Ltd.***, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

西安海天天綫科技股份有限公司
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*

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

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

(Stock Code: 8227)

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF EQUITY INTEREST OF SUZHOU HAITIAN NEW ANTENNA TECHNOLOGIES CO., LTD.
INVOLVING ISSUE OF DOMESTIC SHARES UNDER SPECIFIC MANDATE
AND
NOTICES OF CLASS MEETINGS AND EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

Capitalised terms used in this cover page, unless the contents require otherwise, shall have the same meanings ascribed to them in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 23 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 24 and 25 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Agreement and the transactions contemplated thereunder, including the grant of the Special Mandate, is set out on pages 26 to 48 of this circular.

Notices convening the H Shareholders Class Meeting, the Domestic Shareholders Class Meeting and the EGM to be held on 9 December 2019 at Conference Room, Level 3, No.25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China are set out on pages HCM-1 to HCM-2, DCM-1 to DCM-3 and EGM-1 to EGM-3 of this circular, respectively.

The reply slips and forms of proxy of the Class Meetings and the EGM are enclosed hereto.

Whether or not you are able to attend the Class Meetings and the EGM, you are requested to complete the enclosed reply slips and forms of proxy in accordance with the instructions printed thereon and return them to the head office of the Company at No. 25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China (Post Code: 710119) (for holders of Domestic Shares), or the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), as soon as possible but in any event for the reply slips, no later than 19 November 2019, and for the forms of proxy, not less than 24 hours before the time appointed for the holding of the Class Meetings and the EGM or any adjournment thereof. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the Class Meetings and the EGM or any adjournment thereof should you so wish.

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

25 October 2019

* *for identification purposes only*

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

"Acquisition"	the acquisition of approximately 91.43% equity interest in Suzhou Haitian by the Company pursuant to the Agreement
"Actual NAV"	the audited net asset value of Suzhou Haitian as at 30 June 2019 as set out in the Audited Accounts, being approximately RMB38.26 million
"Agreement"	the agreement dated 2 August 2019 entered into between the Vendors and the Company in relation to the Acquisition
"Announcement"	the announcement of the Company dated 2 August 2019 in relation to the Acquisition
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Audit Committee"	the audit committee of the Company
"Audited Accounts"	the audited financial statements of Suzhou Haitian for the two years ended 31 December 2018 and the six months ended 30 June 2019 prepared by Confucius International CPA Limited in accordance with Hong Kong Financial Reporting Standards, the content of which is set forth in Appendix II to this circular
"Board"	the board of Directors
"business day"	any day (other than a Saturday, a Sunday or public holiday in the PRC) on which licensed banks in the PRC are generally open for normal banking business
"Class Meetings"	collectively, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting
"Company"	西安海天天綫科技股份有限公司 (Xi'an Haitian Antenna Technologies Co., Ltd.*) (formerly known as 西安海天天實業股份有限公司 (Xi'an Haitiantian Holdings Co., Ltd.*)), a joint stock company incorporated in the PRC and whose H Shares are listed on GEM

"Completion"	the completion of the sale and purchase of the Sale Shares pursuant to the Agreement
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the total consideration for the Acquisition, being approximately RMB34.98 million
"Consideration Share(s)"	166,570,176 new Domestic Shares to be allotted and issued to the Vendors at the Issue Price for satisfaction of the Consideration
"controlling shareholder"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Shareholders Class Meeting"	class meeting of the holders of the Domestic Shares to be convened to consider and, if thought fit, approve among other things, the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
"Domestic Shares"	the domestic invested shares of nominal value of RMB0.10 in the share capital of the Company, which are subscribed for in Renminbi
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Estimated NAV"	the estimated net asset value of Suzhou Haitian as at 30 June 2019 as set out in the latest draft of the Audited Accounts prior to the date of the Agreement, being approximately RMB38.26 million
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM

"Group"	the Company and its subsidiaries
"H Shares"	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in Hong Kong dollars
"H Shareholders Class Meeting"	class meeting of the holders of the H Shares to be convened to consider and, if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
"HKFRS"	Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Board comprising all independent non-executive Directors which has been established to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
"Independent Shareholders"	Shareholders other than Mr. Xiao and his associates, any other Shareholders who are involved in, or interested in, the Agreement and the transactions contemplated thereunder; and any other Shareholders who are required by the GEM Listing Rules to abstain from voting in respect of the resolution(s) relating to the Agreement and the transactions contemplated thereunder at the Class Meetings and the EGM

"Independent Third Party"	a third party who is independent of and not connected with the Company and any of its connected person, and not otherwise a connected person of the Company
"Issue Price"	the issue price of RMB0.21 per Consideration Share
"Last Trading Day"	2 August 2019, being the last day of trading in the H Shares on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	21 October 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Mr. Liao"	Mr. Liao Kang (廖康先生)
"Mr. Xiao"	Mr. Xiao Bing (肖兵先生), the Chairman of the Board and an executive Director
"Patents"	11 patents owned by Suzhou Haitian as at the Latest Practicable Date, details of which are set out in the Valuation Report
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PSA"	PSA (HK) Surveyors Limited, an independent valuer
"Sale Shares"	approximately 91.43% equity interest of Suzhou Haitian held by the Vendors (as to approximately 86.43% held by Xiao Antenna and as to approximately 5.00% held by Mr. Liao)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	collectively, Domestic Shares and H Shares
"Shareholder(s)"	holders of Domestic Shares and H Shares

"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders at the Class Meetings and the EGM to authorise the Directors to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"subsidiary(ies)"	has the meaning ascribed to it under the GEM Listing Rules
"substantial shareholders"	has the meaning ascribed to it under the GEM Listing Rules
"Suzhou Haitian"	Suzhou Haitian New Antenna Technologies Co., Ltd.*（蘇州海天新天綫科技有限公司）
"Valuation Report"	the valuation report in respect of the Patents prepared by PSA, the text of which is set out in Appendix V to this circular
"Vendors"	Xiao Antenna and Mr. Liao
"Xiao Antenna"	Xi'an Xiao's Antenna Technologies Co., Ltd.*（西安肖氏天綫科技有限公司）
"HK$" or "HKD"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of PRC
"%"	per cent

Unless otherwise specified, for the purpose of this circular and for the purpose of illustration only, Hong Kong dollar amounts have been translated to RMB using the rate of HK$1.00: RMB0.875. No representation is made that any amounts in HK$ or RMB were or could have been converted at the above rate or at any other rates or at all.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustment. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

西安海天天綫科技股份有限公司
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*

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

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

(Stock Code: 8227)

Executive Directors:
Mr. Xiao Bing *(Chairman)*
Mr. Chen Ji *(Vice-Chairman)*

Non-Executive Directors:
Mr. Sun Wenguo
Mr. Li Wenqi
Mr. Zuo Hong
Ms. Huang Jing
Mr. Yan Weimin

Independent Non-Executive Directors:
Mr. Zhang Jun
Professor Shi Ping
Mr. Tu Jijun
Professor Lei Zhenya

Registered Office:
No. 25 Shuoshi Road
Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province
The People's Republic of China

Principal Place of Business in Hong Kong:
Room B, 16th Floor
Yam Tze Commercial Building
23 Thomson Road
Wanchai
Hong Kong

25 October 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF EQUITY INTEREST OF
SUZHOU HAITIAN NEW ANTENNA TECHNOLOGIES CO., LTD.
INVOLVING ISSUE OF DOMESTIC SHARES
UNDER SPECIFIC MANDATE
AND
NOTICES OF CLASS MEETINGS
AND EXTRAORDINARY GENERAL MEETING**

* *for identification purposes only*

INTRODUCTION

Reference is made to the Announcement in respect of, among other things, the entering by the Company and the Vendors of the Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing approximately 91.43% equity interest of Suzhou Haitian at the Consideration.

The purpose of this circular is to provide you with, among other things, (a) further information on the Agreement and the Specific Mandate; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate; (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate; (d) the Valuation Report; (e) the notices of the Class Meetings and the EGM; and (f) other information as required by the GEM Listing Rules.

THE AGREEMENT

1. Date

2 August 2019

2. Parties

(i) the Company;

(ii) Xiao Antenna; and

(iii) Mr. Liao.

3. Subject matter

The Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing approximately 91.43% equity interest of Suzhou Haitian.

As at the Latest Practicable Date, Suzhou Haitian had a registered capital of approximately RMB40.03 million, of which Xiao Antenna, the Company and Mr. Liao contributed and owned RMB34.60 million (approximately 86.43% equity interest), approximately RMB3.43 million (approximately 8.57% equity interest) and RMB2.0 million (approximately 5.00% equity interest), respectively. The Sale Shares represent all equity interest of the Vendors in Suzhou Haitian. Upon Completion, Suzhou Haitian will become a wholly-owned subsidiary of the Company.

4. Consideration

The Consideration, being approximately RMB34.98 million, was determined after arm's length negotiations between the Company and the Vendors with reference to the Estimated NAV and shall be adjusted in the following manners:

(i) if the Actual NAV is more than the Estimated NAV, no adjustment shall be made;

(ii) if the Actual NAV is less than the Estimated NAV and the difference is no more than 10% of the Estimated NAV, the Consideration shall be adjusted with reference to the Actual NAV; and

(iii) if the Actual NAV is less than the Estimated NAV and the difference is more than 10% of the Estimated NAV, the Company and the Vendors shall re-negotiate and enter into a supplemental agreement to adjust the Consideration, failing which the Agreement will be terminated.

Since the Actual NAV equals to the Estimated NAV, no adjustment shall be made on the Consideration. Based on the Issue Price of RMB0.21 per Consideration Share, the Consideration shall be satisfied by way of the allotment and issue of 157,468,698 Domestic Shares and 9,101,478 Domestic Shares to Xiao Antenna and Mr. Liao, respectively.

The Consideration Shares, being 166,570,176 Domestic Shares, represent:

(i) approximately 18.82% of the total issued Domestic Shares as at the Latest Practicable Date;

(ii) approximately 10.88% of the total issued share capital of the Company as at the Latest Practicable Date;

(iii) approximately 15.84% of the total issued Domestic Shares as enlarged by the issue of the Consideration Shares; and

(iv) approximately 9.81% of the total issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price, being RMB0.21 (equivalent to approximately HK$0.24) per Consideration Share, represents:

(i) a discount of approximately 93.77% of the closing of HK$3.85 per H Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 93.78% of the average closing of HK$3.86 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 950% over the net asset value of the Company of approximately RMB0.02 per Share based on the Company's audited consolidated net asset value of RMB26,712,180 as at 31 December 2018;

(iv) a premium of approximately 2,000% over the net asset value of the Company of approximately RMB0.01 per Share based on the Company's unaudited consolidated net asset value of RMB13,494,000 as at 30 June 2019; and

(v) a discount of approximately 89.57% of the closing price of HK$2.30 per H Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined by the Company and the Vendors after arm's length negotiations and taking into account (i) the audited consolidated net asset value of the Company as at 31 December 2018 of approximately RMB0.02 per Share, (ii) the par value of RMB0.10 of the Shares as the Company is prohibited under PRC law to issue new Shares at a price below its par value; (iii) the financial performance of the Group in recent years; (iv) the non-listing and non-publicly tradable status of the Domestic Shares; and (v) the issue price in the allotment and issue of Domestic Shares by the Company in October 2017 of RMB0.21 per Domestic Share, details of which are set out in the circular of the Company dated 2 February 2018.

The Domestic Shares are not listed and therefore there is no publicly available trading price. Since the trading price of the H Shares is the only publicly available information regarding the price of the Shares, the Directors have also taken into account the then prevailing market capitalisation (i.e., market price) of the H Shares as of the Last Trading Day but considered that it shall not be a principal nor material factor given the fact that the Domestic Shares and the H Shares are different classes of Shares and the Domestic Shares are not listed on any stock exchange.

The Issue Price of RMB0.21 is same as the issue price for the allotment and issue of Domestic Shares for cash consideration in October 2017. As the financial position of the Company as at 30 June 2019 is worse than that as at 30 June 2017 (with a net asset value of approximately RMB0.05 per Share as at 30 June 2017 as compared to a net asset value of approximately RMB0.01 per Share as at 30 June 2019), the Issue Price of RMB0.21 represents a larger premium over the net asset value of the Company (from a premium of approximately 336.87% over the net asset value of the Company as at 30 June 2017 to a premium of approximately 2,000% over the net asset value of the Company as at 30 June 2019). The Company considers that it is common for comparing and making reference to historical issue prices for new issue of non-listed shares where publicly available trading price is not available. Besides, the issue price in the allotment and issue of the Domestic Shares in October 2017 was also determined primarily based on the then net asset value of the Company, it is therefore worth comparing the premium representing by the issue price in October 2017 with the Issue Price.

The Directors considered not to conduct a valuation on the Domestic Shares because as advised by the Company's auditor, Confucius International CPA Limited, the fair value of the Domestic Shares should be assessed as at the date of Completion in accordance with HKFRS 3. The management of the Group will conduct the valuation to assess the fair value of the Domestic Shares after Completion. Nonetheless, the Company has consulted and discussed with PSA with respect to the fair value of the Domestic Shares as of the date of Completion. PSA has advised that based on their preliminary assessment, the fair value of the Domestic Shares as of the date of Completion would be less than the Issue Price.

In view of the above, the Directors are of the view that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought by the Company and to be granted by the Independent Shareholders at the Class Meetings and the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the Domestic Shares in issue. The allotment and issue of Consideration Shares will not result in a change of control of the Company.

No application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

5. Conditions precedent

Completion of the Agreement is conditional upon the satisfaction of the conditions below:

(i) the obtaining by the Company of the necessary consents and approvals, including the approval by the Independent Shareholders, for the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate in accordance with the Articles of Association and the relevant laws and regulations;

(ii) the obtaining by Xiao Antenna of the necessary approvals, including approval of the board of directors and shareholders (if required);

(iii) the internal approval procedures of Suzhou Haitian, including approval of the board of directors and shareholders, have been completed (if required); and

(iv) all representations, warranties and undertakings of the Vendors being true and accurate in all material respects and remaining so from the date of the Agreement until Completion.

If any of the above conditions is not satisfied on or before 31 December 2019 (or such other date as may be agreed by the Company and the Vendors), the Agreement shall be terminated and, save for any antecedent breach, the rights and obligations of each of the parties to the Agreement shall cease and determine.

6. Completion

Within 10 business days after the satisfaction of all the conditions precedent, the Vendors and the Company shall apply for the registration of the transfer of the Sale Shares at the relevant administration of industry and commerce. The Consideration Shares shall be allotted and issued to the Vendors following the completion of the registration of the transfer of the Sale Shares.

7. Sole licence

Xiao Antenna shall grant a sole licence to the Group under a patent regarding an "ultra-light artificial medium multilayer cylindrical lens（一種超輕人工介質多層圓柱透鏡）". The initial term of the licence is ten years, and the Company shall have the right of first refusal to extend the term of the licence upon the expiry of the initial term until the term of the patent is expired. No licence fee shall be payable by the Group for the initial term and any extended term of the licence. As confirmed by Xiao Antenna, save for the above patent, it did not own any patent or licence which may compete with the Company's business at the Latest Practicable Date.

8. Non-competition undertaking

The Vendors have undertaken that during the term of the sole licence as described above, the Vendors shall not, and shall procure their respective associates not to, directly or indirectly compete with the business undertaken by the Group as at the date of the Agreement or in the future or directly or indirectly hold any equity or interest in an entity which competes with the business undertaken by the Group as at the date of the Agreement or in the future. If such non-competition undertaking is not complied with, the Vendors shall indemnify the Company against all direct economic losses, indirect economic losses which are foreseeable and reasonable and all other related costs.

Our independent non-executive Directors will review on annual basis the compliance of the non-competition undertaking given by the Vendors and all decisions taken by the Group in relation to such non-competition undertaking, The Company will disclose the view of the independent non-executive Directors in relation to the non-competition undertaking in its annual report.

EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE AGREEMENT

Set out below is the shareholding structure of the Company (1) as at the Latest Practicable Date; and (2) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Agreement:

Shareholders	(1) As at the Latest Practicable Date		(2) Immediately after the Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Domestic Shares				
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**”) [1]	328,363,637	21.45%	328,363,637	19.34%
Shanghai Gaoxiang Investment Management Co., Ltd.* (上海高湘投資管理有限公司) (“**Gaoxiang Investment**”) [2]	189,844,804	12.40%	189,844,804	11.18%
Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司) [3]	100,000,000	6.53%	100,000,000	5.89%
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心) [3]	54,077,941	3.53%	54,077,941	3.19%
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**”) [4]	18,500,000	1.21%	18,500,000	1.09%
Xiao Antenna	–	–	157,468,698	9.28%
Mr. Liao	–	–	9,101,478	0.54%
Public	194,507,736	12.70%	194,507,736	11.45%
Domestic Shares sub-total:	885,294,118	57.82%	1,051,864,294	61.96%
H Shares				
Mr. Chen Ji (陳繼先生)[5]	9,771,000	0.64%	9,771,000	0.58%
Mr. Xiao[5]	10,000,000	0.65%	10,000,000	0.59%
Public	625,993,706	40.89%	625,993,706	36.87%
H Shares sub-total:	645,764,706	42.18%	645,764,706	38.04%
Total	1,531,058,824	100%	1,697,629,000	100%

Notes:

1. Tian An Corporate is beneficially owned as to 60% by Mr. Xiao and 40% by his spouse Ms. Chen Jing (陳靜女士).

2. Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun (孫湘君女士) in equal share.

3. A promoter of the Company and hence a connected person of the Company under the GEM Listing Rules.

4. Shanghai Hongzhen Ningshang is beneficially owned as to 83.33% by Mr. Chen Ji (陳繼先生).

5. Mr. Chen Ji (陳繼先生) and Mr. Xiao are executive Directors.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a joint stock limited company incorporated in the PRC with limited liability. The principal activities of the Group are research and development, manufacture and sale of mobile communication antennas and related products, underwater and underground surveillance, imaging, mechanical equipment, and complicated environment warning and surveillance equipment, agricultural and forestry used unmanned aerial vehicles, provision of consultancy services and sales of agricultural products.

INFORMATION ON THE VENDORS

Xiao Antenna is a limited liability company established in the PRC and possesses core technologies of improving the performance of antennas. Xiao Antenna is beneficially owned as to 70.0% by Professor Xiao Liangyong (肖良勇教授) and 30.0% by Ms. Chen Jing (陳靜女士). Professor Xia Liangyong (肖良勇教授) is the father of Mr. Xiao and Ms. Chen Jing (陳靜女士) is the spouse of Mr. Xiao. Xiao Antenna is therefore a connected person of the Company under the GEM Listing Rules.

The total historical investment costs of Suzhou Haitian made by Xiao Antenna as at 30 June 2019 was RMB34.6 million, of which RMB6.0 million was contributed in cash and RMB28.6 million was contributed by the assignment of certain patents to Suzhou Haitian.

Mr. Liao was an independent non-executive Director from 29 June 2016 to 30 August 2017. Save as disclosed in this circular and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Liao is an Independent Third Party.

INFORMATION ON SUZHOU HAITIAN

Background Information

Suzhou Haitian is a limited company established in the PRC in August 2017 and principally engaged in research and development, production, sales and provision of after-sales services in respect of mobile communications antenna products and electronic communications equipment, technology development and technical services in respect of communications and computer software, and design, technical advice and construction in respect of communications engineering.

Pursuant to the technology development services contracts regarding research and development of patents entered into by Suzhou Haitian and Xiao Antenna, Xiao Antenna shall, among other things, (i) use its best endeavour to cooperate with Suzhou Haitian in the application of patent rights; (ii) on or before 31 December 2019, deliver the research and development results including technology specifications, data, installation manuals, antenna assembly drawings, raw material specifications and requirements for acceptance by Suzhou Haitian; and (iii) provide design, technical, production methods and industrialization trainings to Suzhou Haitian. Xiao Antenna has completed the research and development of the patents in accordance with the technology development services contracts. With the assistance of Xiao Antenna, Suzhou Haitian filed patent applications with the State Intellectual Property Office of the PRC and was awarded the patent rights. As at the Latest Practicable Date, 4 technology development services contracts had not completed yet (the "Four Outstanding Contracts") as Xiao Antenna has not delivered the research and development results and provided trainings to Suzhou Haitian. In light of the progress of the Four Outstanding Contracts, as at the Latest Practicable Date, the remaining four patents were expected to be recognised as intangible assets by 31 December 2019 after the completion of the Four Outstanding Contracts in accordance with their terms.

As at the Latest Practicable Date, Xiao Antenna was compiling the research and development results under the Four Outstanding Contracts and was in communication with Suzhou Haitian regarding their delivery. The Company believes that the Four Outstanding Contracts would complete by 31 December 2019 in accordance with their terms. Nevertheless, pursuant to the Four Outstanding Contracts, if Xiao Antenna defaults in the delivery of the research and development results, Suzhou Haitian is entitled to terminate the Four Outstanding Contracts and is not required to pay any fee to Xiao Antenna. Xiao Antenna, on the other hand, shall pay a penalty for breach of contracts to Suzhou Haitian equal to 20% of the contractual fees. In which event, given the four patents have not been recognised as intangible assets in the financial statements of Suzhou Haitian, its assets and liabilities will not be affected.

Set out below are the details of the Patents:

No.	Patent Series Number	Name of patent	Type of patent	Date of award	Book value as at 30 June 2019 *(RMB)*	Valuation amount as disclosed in the Valuation Report *(RMB)*	Status as at 30 June 2019
1	ZL201711009402.8	Artificial medium cylindrical lens omnidirectional multi-beam antenna (基於人工介質圓柱透鏡全向多波束天線)	Invention patent	13 November 2018	10,000,000	10,150,000	Recognised as intangible asset
2	ZL201711016223.7	Artificial medium cylindrical lens sector zone multi-beam antenna (基於人工介質圓柱透鏡扇區多波束天線)	Invention patent	18 January 2019	10,000,000	10,150,000	Recognised as intangible asset
3	ZL201711016267.X	Artificial medium cylindrical lens high-rise coverage multi-beam antenna (基於人工介質圓柱透鏡高樓覆蓋多波束天線)	Invention patent	30 October 2018	8,600,000	8,720,000	Recognised as intangible asset
4	ZL201830094237.X	Antenna (4 beams)(天線(4波束))	Design patent	23 November 2018	487,500	510,000	Recognised as intangible asset
5	ZL201721192117.X	Artificial medium cylindrical lens 4 beam antenna (一種人造介質圓柱透鏡4波束天線)	Utility patent	10 August 2018	3,900,000	4,060,000	Recognised as intangible asset

No.	Patent Series Number	Name of patent	Type of patent	Date of award	Book value as at 30 June 2019 *(RMB)*	Valuation amount as disclosed in the Valuation Report *(RMB)*	Status as at 30 June 2019
6	ZL201721191793.5	Artificial medium cylindrical lens 5 beam antenna (一種人工介質圓柱透鏡5波束天線)	Utility patent	30 March 2018	4,875,000	5,070,000	Recognised as intangible asset
7	ZL201721375838.4	Artificial medium cylindrical lens 6 beam antenna (一種人造介質圓柱透鏡6波束天線)	Utility patent	9 October 2018	5,850,000	6,090,000	Recognised as intangible asset
8	ZL201721375825.7	Artificial medium cylindrical lens 9 beam antenna (一種人造介質圓柱透鏡9波束天線)	Utility patent	4 May 2018	N/A[1]	5,580,000	Expected to be recognised as intangible asset by 31 December 2019
9	ZL201721513978.3	Dual-frequency Wi-Fi artificial medium cylindrical lens 12 beam antenna (一種Wi-Fi雙頻人造介質圓柱透鏡12波束天線)	Utility patent	8 June 2018	N/A[2]	5,580,000	Expected to be recognised as intangible asset by 31 December 2019
10	ZL201721192419.7	Communication emergency vehicle miniaturized artificial medium cylindrical lens 6 beam antenna (一種通信應急車小型化人工介質圓柱透鏡6波束天線)	Utility patent	10 August 2018	N/A[3]	3,050,000	Expected to be recognised as intangible asset by 31 December 2019
11	ZL201721192039.3	Dual-frequency Wi-Fi outdoor type artificial medium cylindrical lens 20 beam antenna (一種雙頻Wi-Fi室外型人工介質圓柱透鏡20波束天線)	Utility patent	10 August 2018	N/A[4]	5,580,000	Expected to be recognised as intangible asset before 31 December 2019

Notes:

1. The consideration of the technology development services is RMB5,500,000 pursuant to the technology development services contract entered into between Suzhou Haitian and Xiao Antenna on 30 August 2017.

2. The consideration of the technology development services is RMB5,500,000 pursuant to the technology development services contract entered into between Suzhou Haitian and Xiao Antenna on 15 September 2017.

3. The consideration of the technology development services is RMB3,000,000 pursuant to the technology development services contract entered into between Suzhou Haitian and Xiao Antenna on 20 August 2017.

4. The consideration of the technology development services is RMB5,500,000 pursuant to the technology development services contract entered into between Suzhou Haitian and Xiao Antenna on 20 August 2017.

Please refer to the Valuation Report for further information on the Patents.

Shareholding

As at the Latest Practicable Date, Suzhou Haitian was owned as to approximately 86.43% by Xiao Antenna, 5.00% by Mr. Liao and 8.57% the Company. Upon Completion, Suzhou Haitian will become a wholly-owned subsidiary of the Company.

Financial Information

Set out below is the audited financial information of Suzhou Haitian for the two financial years ended 31 December 2018 and the six months ended 30 June 2019:

	From 9 August 2017 (date of incorporation) to 31 December 2017 *(RMB)*	For the year ended 31 December 2018 *(RMB)*	For the six months ended 30 June 2019 *(RMB)*
Loss before taxation	451,310	1,957,448	1,885,210
Loss after taxation	451,310	1,957,448	1,885,210

The audited net asset value of Suzhou Haitian as at 30 June 2019 was approximately RMB38.26 million.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, Suzhou Haitian will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Suzhou Haitian will be consolidated into the Group's consolidated financial statements.

Earnings

As set out in Appendix II to this circular, the audited loss after taxation of Suzhou Haitian for the six months ended 30 June 2019 was approximately RMB1,885,210. While the Acquisition would not have any immediate material impact on the earnings of the Group, as the financial results of Suzhou Haitian will be consolidated with those of the Group after Completion, the earnings of the Group will be affected by the performance of Suzhou Haitian in the future.

Assets and liabilities

As at 30 June 2019, the unaudited consolidated total assets and liabilities of the Group, as set out in the interim report of the Company for the six months ended 30 June 2019, amounted to approximately RMB111,219,000 and RMB97,725,000, respectively. Assuming Completion took place on 30 June 2019, the unaudited pro forma consolidated total assets and liabilities of the Enlarged Group would have increased to approximately RMB165,160,000 and RMB116,687,000, respectively, as a result of the Acquisition.

Further details of the financial effect of the Acquisition together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

In June 2019, the Ministry of Industry and Information Technology of the PRC officially issued 5G commercial licences to China Telecom, China Mobile, China Unicom and China Broadcast Network, indicating the official commercial use of 5G in the PRC.

Based on the testing and application report of a telecommunication operator and the due diligence of the Group, the artificial dielectric lens multi-beam antenna developed by Suzhou Haitian has the following competitive edges: (a) as compared with conventional plate antenna technology, the antenna is lighter in weight, lower in cost, more energy-efficient, the vertical lobes are wider and the coverage area is wider; (b) the antenna not only can greatly reduce the construction of wireless base stations, shorten the construction period of wireless telecommunication projects, but also can reduce the operation costs including electricity expenses and maintenance costs; (c) the antenna can be widely used in largescale emergency communication support, Wi-Fi high-density coverage, large-capacity expansion of 4G networks, and high-capacity and high-rate data transmission for 5G mobile communications; and (d) the antenna's ultra-light characteristics will have a broad development potential in various wireless telecommunications and information technologies areas such as high-gain radar, aerospace and astronomical radio observations. The Group also noticed that the antenna has been widely recognised by telecommunication operators, system suppliers and other customers.

As disclosed in the annual report of the Company for the year ended 31 December 2018, the Group's key work in 2019 is mainly to actively grasp the 5G market. Based on the antennas developed by the Company, coupled with the national 5G network's construction plan, the Company has continued developing new high-end 5G mobile communication antenna products. The Group considers that the Acquisition will enable the Group, leverage on the antenna technologies developed by Suzhou Haitian and its research and development capabilities, to promote its development in the mobile communication market and enrich its mobile communication product series, ensuring that the Group could seize the market in the 5G era in a fast and effective manner.

Upon Completion, the Group will focus on artificial medium cylindrical lens omnidirectional multi-beam antenna products and actively grasp the 5G market. By taking the Group's advantages of its experience in the mobile communication product development and system integration, mobile internet and mobile communication information technology services as well as the sales network in the mobile communication market established by the Group, it will fully integrate resources, continuously improve and enrich related mobile communication products, quickly seize the market and improve the Group's performance. In order to seize the market in the 5G era, the Group plans to implement the following business plan:

(1) First, the Group will continue to develop new broadband in different frequency bands that can be widely used in different industries and various scenarios such as 5G mobile communication, W-LAN, driverless cars, automotive electronics, Internet of Things, and smart cities and products such as new material series antenna products, multi-beam products, high-gain products and antenna products with full-angle coverage. Moreover, the Group will actively expand the use of antenna products, increase market share and enhance the Group's performance.

(2) Secondly, the Group will utilise its sales and marketing network in the communication industry. The Group will carry out comprehensive marketing on artificial medium lens multi-beam antenna. On one hand, the Group will actively promote related communication products by participating in industry exhibitions. On the other hand, the Group will continue to deepen its cooperation and communication with mobile operators and system suppliers through its sales network and channels, enhance market promotion, and actively participate in the 5G network construction carried out by operators and other related collection and bidding work such as 4G network optimisation.

(3) Thirdly, the Group will set up a professional sales team which will closely communicate with equipment manufacturers of products such as Wi-Fi routers, smart homes, automotive radars, etc., with a view to further enhance the application range of artificial medium lens multi-beam antennas and increase the Group's market share.

For the year ended 31 December 2018, the Company incurred a loss attributable to owners of the Company of approximately RMB41.08 million. As at 31 December 2018, the Company had net current liabilities of approximately RMB2.98 million. As at 31 December 2018, the Group had bank balances and cash of approximately RMB6.89 million and had no interest bearing borrowings. Cash requirement by the Group's business remains significant.

Our Directors have considered other financing methods such as debt financing through obtaining bank loans. However, due to a combination of factors, including (i) the lack of substantial assets that our Group could provide as security for the bank facilities, (ii) the weak financial performance of the Group in recent years; and (iii) the financing costs which will be incurred by debt financing, the Group would not be able to obtain debt financing at acceptable terms.

The Directors have also considered other equity financing methods such as placing, rights issue and open offer of Shares. However, the Directors are of the view that such equity financing methods will incur higher costs. The Company estimates that total expenses of approximately HK$1.40 million will be incurred for the Acquisition (including the allotment and issue of the Consideration Shares), while additional legal, professional and other expenses of approximately HK$1.0 million and underwriting commission of approximately 3%-5% of the fund raised would be paid by the Company for placing, rights issue and open offer of Shares. Furthermore, having considered that issue of new H Shares requires the approval of the China Securities Regulatory Commission and the timing of its approval is uncertain, the Company has considered but decided not to issue H Shares. The Company has always been exploring different financing methods for its business needs, and has discussed with more than 10 potential investors and financial intermediaries regarding equity financing during the course of negotiation of the Acquisition. Through such discussions the Company understands that given the Company's relatively weak financial performance in recent years, the latest net asset value of the Company and recent market price of the H Shares, it would be difficult for the Company to identify potential investors, underwriters or placing agents at terms that are acceptable to the Company. The Company hence did not consider other equity financing methods to be desirable alternatives to the issue of the Consideration Shares.

Moreover, settlement of the Consideration by way of the allotment and issue of the Consideration Shares would reduce cash outflows of the Group while the equity capital base of the Company would be enlarged and therefore, the current and future liquidity position of the Group can be maintained.

Having considered the above, the Directors (including the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee on pages 24 to 25 of this circular) consider that the terms of the Agreement are on normal commercial terms and fair and reasonable, and the Acquisition is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest of the applicable percentage ratios exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Xiao Antenna is a connected person of the Company, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Mr. Xiao and his associates are regarded as having a material interest different from other Shareholders in the transactions contemplated under the Agreement by virtue of the interests of Professor Xiao Liangyong and Ms. Chen Jing in Xiao Antenna. Mr. Xiao has abstained from voting on the resolutions regarding the Agreement and the transactions contemplated thereunder at the Board meeting. Mr. Xiao and his associates, who held 328,363,637 Domestic Shares and 10,000,000 H Shares (representing approximately 22.1% of the Shares as at the Latest Practicable Date), are required to abstain from voting at the Class Meetings and the EGM regarding the Agreement and the transactions contemplated thereunder.

THE CLASS MEETINGS AND THE EGM

The EGM and the Class Meetings will be held to consider and, if thought fit, pass resolutions to approve the Agreement and the transactions contemplated thereunder.

Notices convening the H Shareholders Class Meeting, the Domestic Shareholders Class Meeting and the EGM to be held on 9 December 2019 at Conference Room, Level 3, No.25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China are set out on pages HCM-1 to HCM-2, DCM-1 to DCM-3 and EGM-1 to EGM-3 of this circular, respectively. The reply slips and forms of proxy of the Class Meetings and EGM are enclosed hereto. Whether or not you are able to attend the Class Meetings and the EGM, you are requested to complete the enclosed reply slips and forms of proxy in accordance with the instructions printed thereon and return them to the Company's office at No. 25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China (Post Code: 710119) (for holders of Domestic Shares); or to the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), as soon as possible but in any event for reply slips, before 19 November 2019, and for the forms of proxy, not less than 24 hours before the time appointed for the holding of the Class Meetings and the EGM, or any adjournment thereof. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the Class Meetings and the EGM or any adjournment thereof should you so wish.

An announcement of the poll results of the Class Meetings and the EGM will be published on the websites of the Stock Exchange and of the Company after the Class Meetings and the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company shall be closed from 9 November 2019 to 9 December 2019 (both days inclusive), during which period no transfer of shares can be registered. Holders of Domestic Shares and H Shares whose names appear on the register of members of the Company at the close of business on 8 November 2019 shall be entitled to attend and vote at the Class Meetings and the EGM. In order to qualify to attend and vote at the Class Meetings and the EGM, all instruments of transfer must be delivered to the head office of the Company at No. 25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China (Post Code: 710119) (for holders of Domestic Shares), or the Company's registrar of H Share, Computershare Hong Kong Investor Services Limited at Hopewell Centre, Shops 1712-1716, 17/F, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), no later than 4:30 p.m. on 8 November 2019.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 24 to 25 of this circular and the letter from the Independent Financial Adviser set out on pages 26 to 48 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all resolutions to be proposed at the Class Meetings and the EGM to approve the Agreement and the transactions contemplated thereunder.

The Board considers that the resolutions set out in the notices of Class Meetings and the notice of the EGM and are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions as set out in the notices of Class Meetings and the notice of the EGM.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Xi'an Haitian Antenna Technologies Co., Ltd.*
Xiao Bing
Chairman

* *for identification purposes only*

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Shareholders:

西安海天天綫科技股份有限公司

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

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

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

(Stock Code: 8227)

25 October 2019

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF EQUITY INTEREST OF
SUZHOU HAITIAN NEW ANTENNA TECHNOLOGIES CO., LTD.
INVOLVING ISSUE OF DOMESTIC SHARES
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company (the "**Circular**") dated 25 October 2019 and despatched to the Shareholders which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Shareholders in respect of the Agreement and the transactions contemplated, including the grant of the Specific Mandate, details of which are set out in the section headed "Letter from the Board" in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and the Independent Board Committee in this regard.

Details of the advice and the principal factors the Independent Financial Adviser has taken into consideration in rendering its advice are set out in the section headed "Letter from the Independent Financial Adviser" in the Circular. Your attention is also drawn to the additional information set out in the Circular.

Having taken into account the terms of the Agreement, and the transactions contemplated thereunder, including the grant of the Specific Mandate as well as the advice of the Independent Financial Adviser, we are of the opinion that the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, are on normal commercial terms and entered into in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolutions to be proposed at the Class Meetings and the EGM to approve the Agreement and the transactions contemplated.

Yours faithfully,
Independent Board Committee of
Xi'an Haitian Antenna Technologies Co., Ltd.*
Mr. Zhang Jun **Professor Shi Ping** **Mr. Tu Jijun** **Professor Lei Zhenya**
Independent Non-executive Directors

* *for identification purposes only*

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, which has been prepared for the purpose of inclusion in this Circular.

Lego Corporate Finance Limited
力高企業融資有限公司

25 October 2019

To: *The Independent Board Committee and the Independent Shareholders of*
*Xi'an Haitian Antenna Technologies Co., Ltd.**
(formerly known as Xi'an Haitiantian Holdings Co., Ltd.)*

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTEREST OF SUZHOU HAITIAN NEW ANTENNA TECHNOLOGIES CO., LTD. INVOLVING ISSUE OF DOMESTIC SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 25 October 2019 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

Reference is made to the announcement of the Company dated 2 August 2019, according to which on 2 August 2019, the Company and the Vendors entered into the Agreement pursuant to which the Company has conditionally agreed to acquire, and the Vendors has conditionally agreed to sell, the Sale Shares, representing approximately 91.43% equity interest of the Suzhou Haitian at the aggregate consideration of approximately RMB34.98 million (subject to adjustment). The Consideration shall be satisfied by way of allotment and issue of the Consideration Shares to the Vendor. Upon Completion, Suzhou Haitian will become a wholly-owned subsidiary of the Company.

* *for identification purposes only*

As the highest of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. Xiao Antenna, being one of the Vendors, is beneficially owned as to 70.0% by Professor Xiao Liangyong and 30.0% by Mrs. Chen Jing, who are in turn the father and the spouse of Mr. Xiao, respectively. As Mr. Xiao is the executive Director of the Company, Xiao Antenna is therefore a connected person under the GEM Listing Rules by virtue of being an associate of Mr. Xiao, and the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Acquisition therefore is subject to the reporting, announcement, circular and the independent shareholders' approval requirements under the GEM Listing Rules.

The EGM and the Class Meetings will be convened and held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve, among others, the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. According to the Letter from the Board, Mr. Xiao and his associates, who held 328,363,637 Domestic Shares and 10,000,000 H Shares (representing approximately 22.1% of the Shares in aggregate as at the Latest Practicable Date), are regarded as having a material interest different from other Shareholders in the transactions contemplated under the Agreement, and will therefore be required to abstain from voting on the relevant resolutions at the Class Meetings and the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the four independent non-executive Directors, namely Mr. Zhang Jun, Professor Shi Ping, Mr. Tu Jijun and Professor Lei Zhenya, has been established to advise the Independent Shareholders as regards the terms of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the requirements of the GEM Listing Rules to advise the Independent Board Committee and the Independent Shareholders as regards the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. Our appointment has been approved by the Independent Board Committee.

During the past two years, save for the engagement in connection with the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, we had not been engaged by the Company for the provision of other services that would affect our independence. Apart from the normal professional fees for our services to the Company in connection with the engagement to act as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Group and the Vendors or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, among others, the Agreement, the announcement of the Company dated 2 August 2019, the annual report of the Company for the financial year ended 31 December 2018 (the "**2018 Annual Report**"), the interim report of the Company in relation to the unaudited consolidated results of the Group for the six months ended 30 June 2019 (the "**2019 Interim Report**"), the latest draft audit report of Suzhou Haitian for the period from 9 August 2017 to 31 December 2017, year ended 31 December 2018 and six months ended 30 June 2019 (the "**Draft Audit Report of the Target Company**") and the Valuation Report. We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the Latest Practicable Date and the Shareholders shall be notified of any material changes, if any, as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of and reasons for entering into the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions in respect of the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, we have taken into consideration the following principal factors and reasons:

1 Financial information of the Group

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, agriculture and forestry used unmanned aerial vehicles, provision of consultancy services and sales of agricultural products.

Set out below in Table 1 is certain financial information of the Group for the two financial years ended 31 December 2018 as extracted from the 2018 Annual Report, and for the six months ended 30 June 2019 as extracted from the 2019 Interim Report.

Table 1: Financial information of the Group

	For the six months ended 30 June		For the year ended 31 December	
	2019	**2018**	**2018**	**2017**
	(unaudited)	(unaudited)	(audited)	(audited)
	RMB	*RMB*	*RMB*	*RMB*
Revenue	23,042,000	16,880,000	44,115,022	59,925,087
Loss for the period/year attributable to owners of the Company	(13,220,000)	(16,499,000)	(41,080,398)	(16,682,356)

	As at 30 June	As at 31 December	
	2019	**2018**	**2017**
	(unaudited)	(audited)	(audited)
	RMB	*RMB*	*RMB*
Non-current assets	32,806,000	29,693,245	39,484,834
Current assets	78,413,000	31,009,031	49,987,322
Current liabilities	(97,725,000)	(33,990,096)	(21,792,381)
Net current (liabilities) assets	(19,312,000)	(2,981,065)	28,194,941
Net assets	13,494,000	26,712,180	67,679,775

For the year ended 31 December 2018

For the year ended 31 December 2018, total revenue of the Group was approximately RMB44.12 million, representing a decrease of approximately 26.38% as compared to that of approximately RMB59.93 million for the year ended 31 December 2017. Based on the Annual Report 2018, such decrease in revenue was mainly driven by the decrease in the revenue from the operating segment of sales of construction related products due to the sustained relatively high price fluctuation during the reporting period.

For the year ended 31 December 2018, the Group recognised loss for the year attributable to owners of the Company of approximately RMB41.08 million, representing a significant increase of approximately 146.28% as compared to that of approximately RMB16.68 million for the year ended 31 December 2017. Based on the Annual Report 2018, such deteriorating performance was mainly due to the combined effects of the aforesaid decrease of revenue of the Group, the recognition of loss on fair value changes of financial assets as compared to the recognition of gain for the preceding year, the increase in write-off of prepayments, as well as the recognition of impairment loss in respect of intangible assets and deposit paid for acquisition of non-current assets, while no such losses were recognised for the preceding year.

As at 31 December 2018, the Group recorded net current liabilities and net assets of approximately RMB2.98 million and approximately RMB26.71 million, respectively.

For the six months ended 30 June 2019

For the six months ended 30 June 2019, total revenue of the Group amounted to approximately RMB23.04 million, representing an increase of approximately 36.49% from that of RMB16.88 million for the corresponding period in the previous year. Based on the 2019 Interim Report, the increase in revenue was primarily due to improvement of the operating segment of sales of construction related products as a result of a growth in sales orders.

For the six months ended 30 June 2019, the Group recognised loss for the period attributable to owners of the Company of approximately RMB13.22 million, representing a decrease of approximately 19.88% as compared to that of approximately RMB16.50 million for the preceding corresponding period. Based on the 2019 Interim Report, such improvement was mainly due to the net effects of, among others, an increase in finance costs due to additions of bank borrowings and absence of significant unrealised loss on change in fair value of financial assets at fair value through profit and loss for the six months ended 30 June 2019 as compared to that for the preceding corresponding period.

As at 30 June 2019, the Group recorded net current liabilities and net assets of approximately RMB19.31 million and approximately RMB13.49 million, respectively. The position of net current liabilities was mainly due to the short-term bank borrowings of approximately RMB51.73 million as at 30 June 2019.

2 Background information on the Vendors

According to the Letter from the Board, Xiao Antenna is a limited liability company established in the PRC and possesses core technologies for improving the performance of antennas. Xiao Antenna, is beneficially owned as to 70.0% by Professor Xiao Liangyong and 30.0% by Mrs. Chen Jing, who are in turn the father and the spouse of Mr. Xiao, respectively. Xiao Antenna is therefore a connected person of the Company under the GEM Listing Rules.

The total historical investment costs of Suzhou Haitian made by Xiao Antenna as at 30 June 2019 was RMB34.6 million, of which RMB6.0 million was contributed in cash and RMB28.6 million was contributed by the assignment of certain patents to Suzhou Haitian.

Mr. Liao, on the other hand, was an independent non-executive Director from 29 June 2016 to 30 August 2017. Save as disclosed in the Circular and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Liao is an Independent Third Party.

3 Reasons for and benefits of the entering into of the Agreement and the transactions contemplated thereunder

In assessing the reasons for and benefits of entering into the Agreement and the transactions contemplated thereunder, we have primarily considered the recent development of the 5G antenna business of the Group as well as the future prospect thereof, while reference has also been made to the background of the Target Company.

3.1 Development of the Group's 5G antenna business

The research and development, manufacture and sale of mobile communication antennas and related products, in particular, the 4G antenna business in the PRC, has long been one of the principal activities of the Group. According to the 2018 Annual Report, in light of the gradual saturation within the 4G antenna market in the PRC, the market competition of 4G business between communication operators gradually shifted from the user volume to the data throughput and applications. In addition, the demand for new 4G antenna products by communication operators recently became relatively lower as the result of expectation of commercialisation of 5G network. In turn, communication operators now are primarily focusing on network planning, optimisation and construction in order to improve the existing 4G network and for the launch of 5G network. Accordingly, the Group began to deploy resources for the development of 5G commercial network technologies and products and concentrate on provision of supporting services for network planning, optimisation and construction instead of sales of antenna products. In particular, the Group plans to develop new broadband in different frequency bands, utilise its sales and marketing network in the communication industry as well as set up a professional sales team which will closely communicate with equipment manufacturers of products such as Wi-Fi routers, smart homes and automotive radars so as to ultimately increase its market share in the future, further details of which are set out in the Letter from the Board. As advised by the Management, the Group shall continue to explore its potential 5G antenna business in the future through, among others, potential acquisition of other competitor(s) with exclusive and complementary capabilities, in order to create a synergy effect to the Group.

3.2 Background information of Suzhou Haitian

Upon Completion, Suzhou Haitian will become a wholly-owned subsidiary of the Company.

Suzhou Haitian is a limited company established in the PRC in August 2017 and principally engaged in research and development, production, sales and provision of after-sales services in respect of mobile communications antenna products and electronic communications equipment, technology development and technical services in respect of communications and computer software, and design, technical advice and construction in respect of communications engineering. As at the Latest Practicable Date, Suzhou Haitian was awarded the patent rights of the Patents, further details of which are set out in the section headed "INFORMATION ON SUZHOU HAITIAN" in the Letter from the Board.

Set out below is certain audited financial information of Suzhou Haitian for the period from 9 August 2017 (date of incorporation) to 31 December 2017, the year ended 31 December 2018 and the six months ended 30 June 2019, respectively.

	For the six months ended 30 June 2019	**For the year ended 31 December 2018**	**From 9 August 2017 (date of incorporation) to 31 December 2017**
	(audited)	(audited)	(audited)
	RMB	*RMB*	*RMB*
Revenue	85,345	172,414	-
Loss before taxation	1,885,210	1,957,448	451,310
Loss after taxation	1,885,210	1,957,448	451,310

It is worth noting that Suzhou Haitian commenced to operate its business and generated revenue in the second half of 2018. As at the Latest Practicable Date, Suzhou Haitian had not yet commenced its business operation in relation to the Antenna (as defined below) and hence no relevant revenue had been recognised so far.

As set out in Appendix II to the Circular, the audited net asset value of Suzhou Haitian as at 30 June 2019 was approximately RMB38.26 million.

Pursuant to the Agreement, Xiao Antenna shall grant a sole licence to the Group under a patent regarding an "ultra-light artificial medium multilayer cylindrical lens（一種超輕人工介質多層圓柱透鏡）" (the "**Lens**"), with initial term of ten years and no licence fee will be payable by the Group for the use of the sole licence. The Company shall have the right of extension upon the expiry of the initial term. As confirmed by Xiao Antenna, save for the above patent, it did not own any other patent or licence which may compete with the Company's business as at the Latest Practicable Date. The Vendors have also undertaken that during the term of the aforesaid licence, they shall not and shall procure their respective associates not to, directly or indirectly compete with the business undertaken by the Group as at the date of the Agreement or in the future or directly or indirectly hold any equity or interest in an equity which competes with the business of the Group.

With the application of the Lens, Suzhou Haitian has also developed an artificial dielectric lens multi-beam antenna (the "**Antenna**"), which has been completed and ready to be used after proper customisation for different applications. With reference to the Letter from the Board, the Antenna, which has been widely recognised by the telecommunication operators, system suppliers and other customers, and has competitive advantages as compared with conventional plate antenna, further details of which are set out in the section headed "REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION" in the Letter from the Board.

We have reviewed three testing reports, namely《多波束天線應急通信車的測試評估報告》("Testing report for multi-beam antenna emergency communication vehicle*"), 《新型介質透鏡多波束天線測試報告》 ("Testing report for new dielectric lens multi-beam antenna*") and 《新款透鏡天線試點應用報告》 ("Pilot application report for new lens antenna*"), in relation to the Antenna as issued by China Mobile Group Yunnan Co., Ltd. and China Mobile Group Shanghai Co., Ltd., being the subsidiaries of China Mobile Limited ("**China Mobile Subsidiaries**"), in November 2018, April 2019 and April 2019. China Mobile Limited, a company listed on the New York Stock Exchange (stock symbol: CHL) and the Stock Exchange (stock code: 941), is one of the leading telecommunication services providers in the PRC principally engaged in mobile voice and data business, wireless broadband and other information communication services. As advised by the Management, like other suppliers of China Mobile Limited Group, Suzhou Haitian was in the progress of exploring business opportunities with China Mobile Subsidiaries over the application of Antenna as at the Latest Practicable Date, and the abovementioned testing reports were internally complied by China Mobile Subsidiaries as their usual internal practice. For the avoidance of doubt, Suzhou Haitian and China Mobile Subsidiaries had not entered into any agreements in respect of the application of the Antenna.

It is confirmed by Xiao Antenna that save for the equity interests of approximately 86.43% in Suzhou Haitian, Xiao Antenna is independent of China Mobile Subsidiaries and there is no relationship between them (including Suzhou Haitian's exploration of business opportunities with China Mobile Subsidiaries) which will/may affect the independence and credibility of the testing reports issued by China Mobile Subsidiaries in relation to the Antenna. On the other hand, based on our independent research conducted from the public domain, since 2018, China Mobile Limited group has made progress in various strategic co-operations with local governments and large corporations to develop innovative 5G applications including "5G+ High Definition Videos" and applications for key vertical such as transportation and healthcare, demonstrating its research and development initiatives and recognition within the industry. Taking into account the independence as well as the experience and recognition of China Mobile Subsidiaries as mentioned above, we consider that it is reasonable to make reference to the testing reports issued by China Mobile Subsidiaries in relation to the Antenna for our assessment. In or around November 2018 and April 2019, China Mobile Subsidiaries carried out tests of the Antenna in Shanghai city and Yunnan province during 2018 Shanghai International Marathon and the Water-Sprinkling Festival by setting up control experiments to compare it with conventional plate antenna. Based on the results of the tests, the Antenna generally has advantages over the conventional plate antenna in terms of various aspects including but not limited to weight, capacity and data transmission rate. In particular, subject to different specifications under different environmental settings, the Antenna's capacity is twice as that of conventional plate antenna and its total data flow and download speed on average are approximately 84% and approximately 37% higher than that of conventional plate antenna, respectively, implying higher energy efficiency and hence lower construction cost.

Accordingly, in light of the research and development capabilities of Suzhou Haitian as demonstrated by its development of the Antenna and the advantages thereof as compared to conventional plate antenna, the Acquisition shall help the Group to promote its development in the mobile communication market by enriching its mobile communication product series and seizing opportunities from the growth of 5G technology in the future.

3.3 Future prospect of the 5G antenna business

On 6 June 2019, The Ministry of Industry and Information Technology of the PRC has granted 5G licences for commercial use to China Telecom, China Mobile, China Unicom and China Broadcast Network, which introduced the official commercial use of the 5G technology in the PRC.

According to "Perspectives from the Global Entertainment & Media Outlook 2019-2023 – Getting Personal: Putting the me in Entertainment and Media" as published by PricewaterhouseCoopers LLP. (https://www.pwc.com/) on 5 June 2019, the overall amount of time involved and money spent on the entertainment and media industry have been growing from the global perspective. It is stated in the report that spurred by the development of 5G technology, the cumulative compound annual growth rate of the revenue from virtual reality applications is expected to reach approximately 22.2% throughout the five years ending 2023. Also, the revenue from virtual reality applications is expected to reach US$6.1 billion in 2023 within the ten key markets including the PRC. The statistics indicate the increasing penetration of the wireless communication network and hence the growth potential of 5G network. In addition, the report indicated that when 5G subscriptions reach the critical mass required by developers in early to mid-2020s, newer applications that are more reliant on 5G will emerge and gain popularity. In turn, 5G is expected to act as a major growth driver for entertainment and media offerings, and hence a good sign for companies of antenna communication business with early access to 5G technology enabling them to capture the market share.

According to "China is poised to win the 5G race – Key steps extending global leadership" as published by Ernest & Young (https://www.ey.com/) on 15 June 2018, due to the advantages of ultra-high rates, enhanced capacity and reduced latency, 5G technology opened up new possibilities for a multitude of life-transforming applications from 3D video to immersive media and enablement of smart cities, as well as represents the key to unlock other technologies such as artificial intelligence, thereby providing tremendous potential in the PRC. In fact, it is suggested that 5G connections in the PRC will reach 576 million by 2025, representing over 40% of that globally.

On the other hand, with reference to 《工業和資訊化部國資委關於深入推進網絡提速降費加快培育經濟發展新動能2018專項行動的實施意見》("Implementing Opinions of the Ministry of Industry and Information Technology and the State-owned Assets Supervision and Administration Commission on the Special Program in 2018 to Forge Ahead with Network Speed Acceleration and Tariff Reduction and Accelerate the Development of New Economic Growth Drivers*") issued by the Ministry of Industry and Information Technology of the PRC in May 2018, it will be the national intention to accelerate the 5G technology development, which shall help advance the adoption and the replacement of 4G technology network, ultimately benefiting the development of the 5G antenna business of the Group.

Accordingly, given (i) the recent increasing wireless communication network penetration as supported by the growths in the smartphone wireless data consumption; (ii) the expected diverse potential of the 5G technology in the PRC; and (iii) the national intention to promote 5G network and related businesses, it is expected that the prospect of the 5G technology and hence the 5G antenna market shall be optimistic in the future.

Taking into account, (i) the Group's business strategy and plans to explore the development of 5G commercial network technologies including the 5G antenna business in the future; (ii) the antenna technologies developed by Suzhou Haitian including the Antenna, and its research and development capabilities; and (iii) the generally promising prospect of the 5G technology and the 5G antenna market, we are of the view that the entering into of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

4 Principal terms of the Agreement and the transactions contemplated thereunder, including the Specific Mandate

On 2 August 2019 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 91.43% equity interest of Suzhou Haitian at the Consideration. The Consideration will be satisfied by way of allotment and issue of the Consideration Shares to the Vendors at the Issue Price, being the issue price of RMB0.21 per Consideration Share.

Assuming that no adjustment shall be made on the Consideration, the Consideration Shares, being 166,570,176 Domestic Shares, represent:

(i) approximately 18.82% of the total issued Domestic Shares as at the Latest Practicable Date;

(ii) approximately 10.88% of the total issued share capital of the Company as at the Latest Practicable Date;

(iii) approximately 15.84% of the total issued Domestic Shares as enlarged by the issue of the Consideration Shares; and

(iv) approximately 9.81% of the total issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought by the Company and be granted by the Independent Shareholders at the Class Meetings and the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the Domestic Shares in issue.

4.1 Assessment of the Consideration

The Consideration shall be approximately RMB34.98 million, subject to adjustment as set out in the sub-section headed "Consideration" in the Letter from the Board. According to the Letter from the Board, the Consideration was determined by the Company and the Vendors after arm's length negotiations with reference to the Estimated NAV.

In assessing the fairness and reasonableness of the Consideration, we have taken into account (i) the components of the Estimated NAV, details of which are set out in Appendix II to the Circular; and (ii) the appraised value of the Patents as at 30 June 2019 (the "**Valuation Date**") based on the valuation conducted by PSA (the "**Valuation**"), details of the Valuation Report of which are set out in Appendix V to the Circular.

4.1.1 The Estimated NAV

As at 30 June 2019, based on the total assets of approximately RMB57.22 million and the total liabilities of approximately RMB18.96 million, Suzhou Haitian recorded net assets of approximately RMB38.26 million. As at the Latest Practicable Date, Suzhou Haitian had entered into eight contracts with Xiao Antenna for the technology development services regarding development and application of eight patents for a total consideration of RMB35 million. It is noted that the total assets of Suzhou Haitian as at 30 June 2019 was substantially accounted for by the intangible assets for approximately 76.39%, which comprised the carrying amount of four patents acquired previously from Xiao Antenna which Suzhou Haitian shall has the sole and exclusive rights to operate, manage and maintain in the PRC for 10 years commencing from their patent application dates, with the completion of the acquisition of the remaining four patents (the "**Remaining Patents**") being expected to take place in the second half of 2019.

Moreover, taking into consideration that (i) adjustment shall only be made to the Consideration if the Actual NAV turns out to be less than the Estimated NAV; and (ii) in the event that the adjustment is triggered, the Consideration shall be either adjusted with reference to the Actual NAV if the Actual NAV turns out to be less than the Estimated NAV by no more than 10% of the Estimated NAV, or subject to re-negotiation by entering into a supplemental agreement if the Actual NAV turns out to be less than the Estimated NAV by more than 10% of the Estimated NAV, failing which the Agreement shall be terminated, we are of the view that the adjustment mechanism principally helps safeguard the basis for determining the actual amount to be payable by the Company in respect of the Acquisition, which shall be with reference to the latest position of the net asset value of Suzhou Haitian at the date of Completion and in an amount being not more than the Actual NAV.

As set out in the accountants's report of Suzhou Haitian in Appendix II to the Circular, the Actual NAV equals to the Estimated NAV and hence, no adjustment shall be made on the Consideration.

Accordingly, we are of the view that the Consideration, which was initially determined with reference to the Estimated NAV, which included the carrying amounts of certain patents acquired by Suzhou Haitian from Xiao Antenna in relation to the technology development services and was subject to the aforementioned adjustment at the time of executing the Agreement, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

4.1.2 The Valuation Report

For the purpose of our assessment, we have reviewed the Valuation Report and conducted interviews with PSA regarding its experience and independence. Based on our review of the relevant information provided by PSA as well as independent research conducted from the public domain, we understand that PSA is an independent professional service firm established in Hong Kong which provides, among others, comprehensive valuation on real estates, plants and machineries as well as intangible assets and financial instruments in the Greater China Region, and has completed a number of assignments for listed companies from different industries in Hong Kong. In particular, we noted that the person in-charge of the Valuation possesses different professional qualifications and is a professional surveyor registered with the Surveyors Registration Board, a fellow member of The Hong Kong Institute of Surveyors and a professional associate of The Royal Institution of Chartered Surveyors with over 25 years of experience within the valuation industry. Upon our assessment of the terms of engagement letter of PSA with the Company in respect of the Valuation Report, we consider that the scope of work is appropriate to the opinion required to be given, and we are not aware of any limitation of the scope of work which might have an adverse impact on the degree of assurance given by PSA in the Valuation Report. In addition, PSA has confirmed its independence from the Group, Xiao Antenna, Mr. Liao, Suzhou Haitian and their respective connected persons as at the Latest Practicable Date. PSA has further confirmed that all relevant material information, including the bases and assumptions adopted in arriving at the Valuation, are set out in the Valuation Report and there are no other material relevant information or representations relating to the Patents as provided or made by the Company to PSA not having been included therein.

We have reviewed the Valuation Report and discussed with PSA in relation to the selection of methodology for conducting the Valuation. As advised by PSA, they have initially considered three generally accepted valuation approaches including replacement cost approach, market approach and income approach. Among the three aforesaid approaches, PSA eventually adopted cost approach to determine the fair value of the Patents given the availability of the cost components involved. Market approach was considered less appropriate due to the difficulty of identifying comparable precedent transactions in the market, especially for patents. Income approach, on the other hand, was also considered less appropriate given that the Patents were only granted recently without having been monetised yet as at the Valuation Date, and the projection of future cash flow would involve a high level of uncertain forecasts estimates that cannot be easily quantified or reliably measured. As confirmed by PSA, replacement cost approach is one of the commonly adopted approaches for appraising intangible assets including patents. Based on the above, we concur with the view of PSA that replacement cost approach is a relatively appropriate method for assessing the fair value of the Patents.

We have further reviewed the relevant information provided by and discussed with PSA to understand the principal evaluation parameters and assumptions adopted for the Valuation, and have not identified any material factors that caused us to doubt the fairness and reasonableness thereof. It is noted that in valuing the Patents, PSA has adopted several assumptions including but not limited to the continuity of the operations of Suzhou Haitian in China and its compliance with all laws and regulations, policies as well as economic and financial environment that may seriously affect or reverse Suzhou Haitian's operating status and infrastructure construction, the relevant tax rates and tax laws, the business scope and model of Suzhou Haitian, as well as no occurrence of major uncontrollable negative events such as natural disasters, floods and terrorist attacks. As confirmed by PSA, the assumptions adopted for the Valuation are commonly adopted for valuations of patents of private companies. Based on our review of the relevant workings, in assessing the appraised value of the Patents, PSA first evaluated the full replacement cost by aggregating several components including (i) the replacement cost; (ii) the capital cost; and (iii) the estimated reasonable profit of the Patents. The replacement cost of the Patents, which primarily comprised mold and material costs, indirect costs and staff salary incurred during the research and development period were adjusted by the accumulated growth rate from the date of the cost incurred to the date of valuation with reference to the consumer price index, the industrial producer price index, and/or the average industry wages published by The National Bureau of Statistics of the PRC. The capital cost of the Patents, on the other hand, was calculated based on the replacement cost obtained, the prevailing interest rate of 4.35% on the Valuation Date which is equivalent to the latest benchmark one-year lending rate published by the People's Bank of China, as well as the adopted duration of the research and development cycle of the Patents of 5 years which was principally determined with reference to (i) the actual research and development cycle of the Patents where the longest cycle is 5.9 years; (ii) the nature of each of the Patents; and (iii) the existing research and development technologies in the domestic market. Further, the estimated reasonable profit of the Patents was calculated based on the replacement cost and the capital cost obtained, as well as an adopted average reasonable profit rate of approximately 3.69% which is the average annual net profit margin of other comparable listed companies in the PRC.

For the purpose of our assessment, we have accessed to the sources of information including the websites of The National Bureau of Statistics of the PRC and the People's Bank of China and reviewed the abovementioned data thereon which includes the monthly consumer price index, the monthly producer price index for industrial products, the annual average wage of employed persons in urban units, information technology, computer services and software throughout the research and development period, as well as the latest benchmark one-year lending rate in the PRC. Based on our comparison, it is noted that the relevant data adopted in the Valuation is in line with the corresponding data in the original sources of information. On the other hand, it is noted that PSA has relied upon the financial data terminal developed by Hithink RoyalFlush Information Network Co., Ltd. ("**Hithink**") (http://www.0033.com) as the source of information on the comparable companies. As confirmed by PSA, the comparable companies selected represented an exhaustive list of companies which are listed on the Shenzhen Stock Exchange and principally engaged in the manufacturing of computers, communications and other electronic equipment industry under the classification of the Hithink data terminal. According to our research conducted from the public domain, Hithink is an Internet financial information service company listed on the Shenzhen Stock Exchange (stock code: 300033) with a market capitalisation of approximately RMB51.73 billion as at the Latest Practicable Date. Based on the official website of Hithink and/or the Shenzhen Stock Exchange, Hithink currently owns 221 copyrights of independently developed software and 98 non-patented technologies, and has established business partnerships with more than 90% of domestic securities companies with a diverse customer base including the government, securities firms, funds, banks and research institutes, demonstrating its achievement and recognition in the market. Further, we understand that the data used in the financial data terminal are extracted from the stock exchange, government regulatory organisations, financial media and third-party authorities. Considering the above, in particular, the exhaustive list of comparable companies selected based on the adopted selection criteria as well as Hithink's diverse customer base and sources of data used which include the government and/or the government regulatory organisations, we consider that the information of the comparable companies as extracted from Hithink is reliable, fair and representative.

After obtaining the full replacement cost of the Patents, a depreciation factor based on the average depreciation period from the respective granting dates of the Patents and the Valuation Date, which was based on the expected economically beneficial period of the Patents of 10 years, was applied thereto in order to arrive at the appraised value of the Patents. As advised by PSA, it is a normal market practice to apply average depreciation period for multiple patents. As at the Valuation Date, the appraised value of the Patents amounted to RMB64.54 million.

It is worth noting that the acquisition of the Remaining Patents by Suzhou Haitian had not yet completed as at 30 June 2019, and the corresponding consideration of RMB19.5 million is disclosed as outstanding capital commitments of Suzhou Haitian as at 30 June 2019 in the notes to its accountants' report, details of which are set out in Appendix II to the Circular. Accordingly, for the purpose of our assessment, we have adjusted the net asset value of Suzhou Haitian of approximately RMB38.26 million as at 30 June 2019 for the appraised value of the Patents (excluding the Remaining Patents), which amounted to RMB44.75 million as at the Valuation Date, resulting in an adjusted net asset value of approximately RMB39.29 million. Taking into account that the Consideration of RMB34.98 represents a discount of approximately 10.97% to the adjusted net asset value of Suzhou Haitian as at 30 June 2019 which is in turn computed based on the Valuation, we are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

4.2 Assessment of the Issue Price

The Issue Price, being RMB0.21 (equivalent to approximately HK$0.24) per Consideration Share, represents:

(i) a discount of approximately 93.77% of the closing of HK$3.85 per H Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 93.78% of the average closing of HK$3.86 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 950% over the net asset value of the Company of approximately RMB0.02 per Share based on the Company's audited consolidated net asset value of RMB26,712,180 as at 31 December 2018;

(iv) a premium of approximately 2,000% over the net asset value of the Company of approximately RMB0.01 per Share based on the Company's unaudited consolidated net asset value of RMB13,494,000 as at 30 June 2019; and

(v) a discount of approximately 89.57% of the closing price of HK$2.30 per H Share as quoted on the Stock Exchange on the Latest Practicable Date.

As advised by the Directors, the Issue Price was determined by the Company and the Vendors after arm's length negotiations and taking into account (i) the audited consolidated net asset value of the Company as at 31 December 2018 of approximately RMB0.02 per Share; (ii) the par value of RMB0.10 of the Shares as the Company is prohibited under PRC law to issue new Shares at a price below its par value; (iii) the financial performance of the Group in recent years; (iv) the issue price in the allotment and issue of Domestic Shares by the Company in October 2017 of RMB0.21 per Domestic Share, details of which are set out in the circular of the Company dated 2 February 2018; and (v) the non-listing and non-publicly tradable status of the Domestic Shares.

In assessing the fairness and reasonableness of the Issue Price of RMB0.21 (equivalent to approximately HK$0.24) per Consideration Share, we have initially attempted to make reference with the fair value of the Domestic Shares. Yet, taking into account the absence of the valuation of the Domestic Shares as well as the non-listing and non-publicly tradable status of the Domestic Shares, which resulted in a lack of public information on the fair value of the Domestic Shares, we have primarily relied upon the comparison between the Issue Price and the consolidated net asset value ("**NAV**") per Share for the purpose of our assessment under this sub-section. We consider that the NAV per share, which represents a proxy for the recent financial performance and position of the Group that is independent of the trading liquidity of the Shares, provides a relatively fair view of the valuation of the Domestic Shares and hence the comparison between it and the Issue Price represents a relatively appropriate methodology for assessing the fairness and reasonableness the Issue Price.

The Issue Price of RMB0.21 (equivalent to approximately HK$0.24) per Consideration Share represents a premium of approximately 950.0% and approximately 2,000% over the NAV per Share of approximately RMB0.02 per Share as at 31 December 2018 and RMB0.01 per Share as at 30 June 2019, respectively.

In addition, we have conducted an analysis by making reference to other recent comparable transactions. In assessing the fairness and reasonableness of the Issue Price, we initially conducted search from the public domain over all acquisitions involving issue of domestic shares conducted by other listed companies in Hong Kong which share the same principal businesses as the Company during the period from 6 August 2018 up to and including the Last Trading Day (the "**Review Period**"), being approximately one-year period prior to and including the Last Trading Day. However, on a best-effort basis, we failed to identify any comparable transactions having met the aforesaid selection criteria. Accordingly, we then extended the selection criteria to include all acquisitions involving issue of domestic shares conducted by other listed companies in Hong Kong during the Review Period, regardless of their principal businesses. Yet, on a best-effort basis, only one comparable transaction, which was implemented by Shaanxi Northwest New Technology Industry Company Limited (stock code: 8258), was identified. In order to obtain a reasonable sample size for the comparable analysis, we subsequently extended the selection criteria to include all subscription exercises involving issue of domestic shares conducted by other companies listed in Hong Kong during the Review Period, regardless of their principal business and the involvement of acquisitions (the "**Selection Criteria**"). On a best-effort basis, we have identified an exhaustive list of 5 comparables transactions based on the Selection Criteria (the "**Comparables**"). We consider that the Review Period is sufficient and representative as it attains a relative balance between (i) the relevancy of data by including reasonably recent market practice prior to and including the Last Trading Day in the sample; and (ii) the sufficiency of data by resulting in a justifiably adequate sample size, taking into account of the inherent trade-off relationship between such two factors. While we have not conducted any independent verification with regard to the businesses and operations of the subject companies of the Comparables, and that the businesses, operations, financial positions and prospects of the Company may not be the same as those of the subject companies of the Comparables, considering the limitations as discussed above, we consider that the Comparables are fair and representative which demonstrate the recent market practice in relation to exercises involving issue of domestic shares in the absence of any directly comparable transactions throughout the Review Period. Set out below is a summary of the Comparables.

Table 2: Summary of the Comparables

Company Name (Stock Code)	**Date of Announcement**	**Principal businesses**	**Premium/(discount) of the subscription price over/to the audited consolidated net asset value per share** *(Approximate) %* *(Note 1)*
Shengjing Bank Co., Ltd (2066)	20/6/2019	Provision of corporate and personal deposits, loans and advances, settlement, treasury and other services	(38.34)
Shaanxi Northwest New Technology Industry Company Limited (8258)	27/12/2018	Research and development, production and sales of innovative environmental protection energy materials and products	6.70
Airport Group Regal International Company Limited (357)	21/12/2018	Aeronautical and non-aeronautical and ancillary airport services business	(14.04)
Shanghai Fudan Microelectronics Group Company Limited (1385)	13/12/2018	Design, development and sales of products of application-specific IC and provision of testing services	121.78
Xinte Energy Co., Ltd. (1799)	13/11/2018	Polysilicon production and the provision of engineering and construction contracting services	(17.58)
Maximum			121.78
Minimum			(38.34)
Average			11.70
The Company			950.00

Source: The official website of the Stock Exchange (https://www.hkex.com.hk/)

Note:

1. The consolidated net asset value per share was based on the latest available audited net asset value attributable to equity holders of the respective companies and the then outstanding number of H shares and domestic shares in issue as at the last trading day prior to/on the date of the underlying subscription agreements.

Based on the above Table 2, the subscription prices to the NAV per share ranged from a discount of approximately 38.34% to a premium of approximately 121.78% (the "**Comparable Price-to-NAV Range**"), with an average of discount of approximately 11.70%. Accordingly, the premium of approximately 950.00% of the Issue Price over the audited NAV per Share as at 31 December 2018 is above the Comparable Price-to-NAV Range.

Further, as disclosed in the Letter from the Board, notwithstanding that the Company's auditor advised that the fair value of the Domestic Shares should be assessed as at the date of Completion in accordance with HKFRS3, the Board has also made reference to the preliminary assessment of fair value of the Domestic Shares as of the date of Completion conducted by PSA. In this regard, we have enquired and conducted interview with PSA regarding the assumptions and methodologies adopted in arriving at the preliminary assessed fair value of the Domestic Shares as of the date of Completion. According to our discussions with PSA, it is noted that they have initially considered three generally accepted valuation approaches including asset-based approach, income approach and market approach. Considering that the Company has been suffering from loss in recent years and that the relatively limited number of H-Shares listed companies comparable to the Company in terms of principal business as well as the relatively low trading liquidity of the Shares, PSA considered both income approach and market approach are not appropriate and selected asset-based approach for the assessment. We also understand that assumptions generally adopted for asset-based approach were adopted for the assessment including the continuity of the Company's operation in the near future, the efforts to be put by the Management in operating the Company and the continuity and/or enhancement of the Company's operation size and business performance in the future. Further, we were advised that in conducting the preliminary assessment, adjustments were made to the net asset value of the Company based on several factors including but not limited to fair value of the intangible assets and the expected time of break-even of the Company, and the resulted assessed fair value of the Domestic Shares was less than the Issue Price of RMB0.21 per Consideration Share.

Taking into account of (i) the premium of approximately 950.0% and 2,000% over the NAV per Share of approximately RMB0.02 per Share as at 31 December 2018 and RMB0.01 per share as at 30 June 2019, respectively; (ii) the fact that the premium of approximately 950.0% of the Issue Price over the audited NAV per Share as at 31 December 2018 is significantly above the Comparable Price-to-NAV Range; (iii) the consistent loss-making position of the Group in the previous years; (iv) the reasons for and the benefits of the Acquisition; (v) the bases taken into account when determining the Issue Price after arm's length negotiations between the Vendors and the Group; (vi) the non-listing status of the Domestic Shares and hence the unavailability of any public trading or transfer price thereof; and (vii) the preliminary assessment by PSA pursuant to which the fair value of the Domestic Shares as of the date of Completion would be less than the Issue Price, we considered the Issue Price to be fair and reasonable.

In light of the above, we are of the view that the principal terms of the Agreement and the transactions contemplated thereunder and the Specific Mandate (including the Consideration and the Issue Price) are fair and reasonable.

5 Dilution effect on the shareholding interests of the existing public Shareholders

As depicted by the table under the section headed "Effect on the shareholding of the Company following the date of Completion of the Agreement" of the Letter from the Board, immediately upon Completion, (i) the shareholding interests of the existing public Domestic Shares Shareholders would be diluted by approximately 15.84% from approximately 12.70% as at the Latest Practicable Date to approximately 11.45%; and (ii) the shareholding interests of the existing public H Shares Shareholders would be diluted by approximately 9.83% from approximately 40.89% as at the Latest Practicable Date to approximately 36.87%. Nonetheless, in view of (i) the reasons for and the benefits of implementing the Acquisition as discussed in the section headed "3 Reasons for and benefits of the entering into of the Agreement and the transactions contemplated thereunder" of this letter; (ii) the terms of the Agreement and the transactions contemplated thereunder and the Specific Mandate are fair and reasonable; and (iii) the potential financial impacts on the net asset of the Group as discussed below, we are of the view that the aforementioned level of dilution to the shareholding interests of the Independent Shareholders is acceptable.

6 Financial effects of the Acquisition

Upon Completion, Suzhou Haitian will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Suzhou Haitian will be consolidated into the Group's consolidated financial statements.

6.1 Earnings

The audited loss after taxation of Suzhou Haitian for the six months ended 30 June 2019 was approximately RMB1,885,210. While the Acquisition would not have any immediate material impact on the earnings of the Group, as the financial results of Suzhou Haitian will be consolidated with those of the Group after Completion, the earnings of the Group will be affected by the performance of Suzhou Haitian in the future.

6.2 Assets and liabilities

As at 30 June 2019, the unaudited consolidated total assets and liabilities of the Group, as set out in the interim report of the Company for the six months ended 30 June 2019, amounted to approximately RMB111,219,000 and RMB97,725,000, respectively. Assuming Completion took place on 30 June 2019, the unaudited pro forma consolidated total assets and liabilities of the Enlarged Group would have increased to approximately RMB165,160,000 and RMB116,687,000, respectively, as a result of the Acquisition.

Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon Completion.

RECOMMENDATIONS

Having considered the above principal factors and reasons including the potential financial impacts on the Group thereof, we are of the view that the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, which are implemented in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed for approving the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the corporate finance advisory profession.

1. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2019, the indebtedness of the Group was as follows:

(i) Bank and other borrowings

The Group had outstanding unsecured other borrowings of RMB1,724,882.

(ii) Other indebtedness

The Group had outstanding indebtedness of RMB26,500,000 and RMB500,000 due to shareholders and related parties of which the shareholders are also the common Directors respectively. The amount was unsecured, non-interest bearing and repayable on demand.

The Group had outstanding indebtedness of RMB18,682,705 due to independent third parties, which was unsecured, non-interest bearing and repayable on demand.

(iii) Contingent liabilities

As at the close of business on 31 August 2019, the Group had no material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's business prospects, internal resources, existing available financial resources and the Proposed Acquisition, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

3. MATERIAL ADVERSE CHANGES SINCE 31 DECEMBER 2018

The Directors are not aware of any material adverse change in the financial and trading position of the Company since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE COMPANY

In June 2019, the Ministry of Industry and Information Technology officially issued 5G commercial license to four companies including China Telecom, China Mobile, China Unicom and China Broadcasting Network Cooperation Ltd. The 5G construction on a large scale commenced in 2019, and the 5G industry will be the largest and most secure fast-growing market in the coming years. According to the Global System for Mobile Communications Association (GSMA), it is predicted that the investment from Chinese communication operators in 5G will exceed RMB1 trillion by 2025. Therefore, in the next few years, the Company will focus on mobile communication-related business.

In addition, after the completion of the acquisition of Suzhou Haitian, the Company will actively seize the major strategic opportunity of 5G based on the artificial dielectric lens multi-beam antenna. In combination with the Company's years of experience in mobile communication product development and system integration, mobile interconnection, mobile communication information technology services, the Company will fully integrate resources and continue to develop new broadband, multi-beam, high-gain, all-angle-coverage antennas of new material series with different frequency bands that can be widely used in 5G mobile communications, W-LAN, driverless cars, automotive electronics, the Internet of Things, smart cities and other industries and scenarios, so as to improve and enrich relevant mobile communications products.

At the same time, the Company will actively grasp the development opportunities of 5G in China, give full play to and utilise the marketing network established by the Company in the communication industry for many years, and thoroughly carry out the marketing of the artificial dielectric lens multi-beam antenna. On the one hand, the Company will actively promote relevant communication products by participating in various industry exhibitions, and on the other hand, the Company will continue to deepen cooperation and communication with mobile operators and system suppliers, continuously strengthening market promotion. At the same time, the Company will make full use of the advantageous position of Hong Kong as well as the advantages of the market and economic policies, and actively explore the relevant communication markets in Hong Kong and abroad through the wholly-owned subsidiaries located in Hong Kong. At present, with the rapid economic development of countries and regions along "the Belt and Road" countries and regions in the area have great demands for the improvement of information infrastructure, which indicates a great potential for development in the future. Therefore, the Company actively responds to the national strategy of "Going Global", promotes the development of regional communication business along "the Belt and Road" and provides countries and regions in the area with products and services of lower cost and better experience. The Company also fully expands its market in the field of mobile communications and rapidly improves the Group's performance.

For the funds required for the future development of the Company, the Company will continue to complete the allotment and issue of 200 million Domestic Shares with net proceeds of approximately RMB41 million, details of which are set out in the circular of the Company dated 2 February 2018. The allotment and issue of the Domestic Shares are subject to and pending the approval of the Department of Commence of Shaanxi Province*（陝西省商務廳）, and is expected to complete by the end of December 2019. In addition, the Company will raise fund through bank borrowings, issue of new shares, and/or bonds and other means in line with the business needs.

5. FINANCIAL INFORMATION OF THE GROUP

Details of the published financial information of the Group for each of the three years ended 31 December 2018 and the six months ended 30 June 2019 are disclosed in the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018, respectively, and the interim report for the six months ended 30 June 2019. All of these financial statements are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xaht.com):

– The annual report of the Company for the year ended 31 December 2016 published on 31 March 2017. (https://www1.hkexnews.hk/listedco/listconews/gem/2017/0331/gln20170331221.pdf)

– The annual report of the Company for the year ended 31 December 2017 published on 28 March 2018. (https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328673.pdf)

– The annual report of the Company for the year ended 31 December 2018 published on 28 March 2019. (https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328621.pdf)

– The interim report of the Company for the six months ended 30 June 2019 published on 13 August 2019. (https://www1.hkexnews.hk/listedco/listconews/gem/2019/0813/gln20190813149.pdf)

The following is the text of a report set out on pages II-1 to II-52, received from the Company's reporting accountants, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PAN-CHINA 天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*（西安海天天綫科技股份有限公司）(FORMERLY KNOWN AS XI'AN HAITIANTIAN HOLDINGS CO., LTD.*（西安海天天實業股份有限公司）) (THE "COMPANY")

Introduction

We report on the historical financial information of Suzhou Haitian New Antenna Technologies Co., Ltd.*（蘇州海天新天綫科技有限公司）(the "Target Company") set out on pages II-4 to II-52, which comprises the statement of financial position as at 31 December 2017, 31 December 2018 and 30 June 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 9 August 2017 (date of incorporation) to 31 December 2017, year ended 31 December 2018 and six months ended 30 June 2019 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-52 forms an integral part of this report, which has been prepared for inclusion in the circular of Xi'an Haitian Antenna Technologies Co., Ltd.*（西安海天天綫科技股份有限公司）(formerly known as Xi'an Haitiantian Holdings Co., Ltd.*（西安海天天實業股份有限公司）) (the "Company") dated 25 October 2019 (the "Circular") in connection with the proposed acquisition of approximately 91.43% equity interest in the Target Company by the Company.

* *English name is for identification purpose only*

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2017, 31 December 2018 and 30 June 2019 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material uncertainties related to going concern

The accompanying financial statements for the six months ended 30 June 2019 have been prepared assuming that the Target Company will continue as a going concern. We draw attention to Note 2 to the financial statements which indicates that, the Target Company's current liabilities exceeded its current assets by RMB9,389,536 as at 30 June 2019, and the Target Company incurred a loss attributable to owners of the Target Company of RMB1,885,210 for the six months ended 30 June 2019. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Company's ability to continue as a going concern. As explained in Note 2 to the financial statements, these financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Information have been made.

Dividends

We refer to Note 17 to the Historical Financial Information which states that no dividend has been paid by the Target Company in respect of the Relevant Periods.

Confucius International CPA Limited
Certified Public Accountants
Hong Kong 25 October 2019

HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods ("Underlying Financial Statements"), on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB").

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD FROM 9 AUGUST 2017 (DATE OF INCORPORATION) TO 31 DECEMBER 2017, YEAR ENDED 31 DECEMBER 2018 AND SIX MONTHS ENDED 30 JUNE 2019

	Notes	From 9 August 2017 (date of incorporation) to 31 December 2017 RMB	For the year ended 31 December 2018 RMB	Six months ended 30 June 2018 RMB (Unaudited)	Six months ended 30 June 2019 RMB
Revenue	10	–	172,414	–	85,345
Cost of sales		–	(27,490)	(5,794)	(34,989)
Gross profit (loss)		–	144,924	(5,794)	50,356
Other revenue	11	4,832	993,038	3,532	735,998
Other expenses		(3,157)	(6,079)	–	–
Administrative expenses		(452,985)	(3,089,331)	(1,693,290)	(2,393,217)
Selling expenses		–	–	–	(188,410)
Loss from operations		(451,310)	(1,957,448)	(1,695,552)	(1,795,273)
Finance costs	12	–	–	–	(89,937)
Loss before tax		(451,310)	(1,957,448)	(1,695,552)	(1,885,210)
Income tax expense	13	–	–	–	–
Loss and total comprehensive expense for the year/period	14	(451,310)	(1,957,448)	(1,695,552)	(1,885,210)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017, 31 DECEMBER 2018 AND 30 JUNE 2019

	Notes	As at 31 December 2017 RMB	As at 31 December 2018 RMB	As at 30 June 2019 RMB
Non-current assets				
Property, plant and equipment	18	76,237	1,059,716	969,563
Intangible assets	19	–	–	43,712,500
Right-of-use asset	20	–	–	2,964,289
		76,237	1,059,716	47,646,352
Current assets				
Inventories		–	42,943	347,018
Amount due from a shareholding company	21	–	–	3,000,000
Deposits and prepayments	22	2,053,000	3,505,047	4,086,258
Other receivables	22	61,338	249,273	457,965
Bank balances and cash	23	3,423,883	1,341,197	1,681,551
		5,538,221	5,138,460	9,572,792
Current liabilities				
Trade payables		–	–	133,245
Amount due to a shareholding company	21	–	150,000	19,843
Accruals and other payables	24	65,768	956,934	15,771,335
Lease liability		–	–	3,037,905
		65,768	1,106,934	18,962,328
Net current assets (liabilities)		**5,472,453**	**4,031,526**	**(9,389,536)**
NET ASSETS		**5,548,690**	**5,091,242**	**38,256,816**
Capital and reserves				
Share capital	25	6,000,000	7,500,000	40,028,571
Share premium		–	–	2,571,429
Accumulated losses		(451,310)	(2,408,758)	(4,343,184)
TOTAL EQUITY		**5,548,690**	**5,091,242**	**38,256,816**

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 9 AUGUST 2017 (DATE OF INCORPORATION) TO 31 DECEMBER 2017, YEAR ENDED 31 DECEMBER 2018 AND SIX MONTHS ENDED 30 JUNE 2019

	Share capital *RMB*	Share premium *RMB*	Accumulated losses *RMB*	Total *RMB*
Capital contribution upon incorporation	6,000,000	–	–	6,000,000
Loss and total comprehensive expense for the period	–	–	(451,310)	(451,310)
At 31 December 2017 and 1 January 2018	6,000,000	–	(451,310)	5,548,690
Contribution from shareholders	1,500,000	–	–	1,500,000
Loss and total comprehensive expense for the year	–	–	(1,957,448)	(1,957,448)
At 31 December 2018	7,500,000	–	(2,408,758)	5,091,242
Adjustment on initial application of HKFRS 16 *(Note 3)*	–	–	(49,216)	(49,216)
Restated balance at 1 January 2019	7,500,000	–	(2,457,974)	5,042,026
Contribution from shareholders	32,528,571	2,571,429	–	35,100,000
Loss and total comprehensive expense for the period	–	–	(1,885,210)	(1,885,210)
At 30 June 2019	40,028,571	2,571,429	(4,343,184)	38,256,816
At 1 January 2018	6,000,000	–	(451,310)	5,548,690
Contribution from shareholders (unaudited)	1,000,000	–	–	1,000,000
Loss and total comprehensive expense for the period (unaudited)	–	–	(1,695,552)	(1,695,552)
At 30 June 2018 (unaudited)	7,000,000	–	(2,146,862)	4,853,138

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 9 AUGUST 2017 (DATE OF INCORPORATION) TO 31 DECEMBER 2017, YEAR ENDED 31 DECEMBER 2018 AND SIX MONTHS ENDED 30 JUNE 2019

	From 9 August 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
OPERATING ACTIVITIES				
Loss before tax	(451,310)	(1,957,448)	(1,695,552)	(1,885,210)
Adjustments for:				
Bank interest income	(4,397)	(5,066)	(3,532)	(2,022)
Interest expense on lease liability	–	–	–	89,937
Depreciation on property, plant and equipment	372	209,461	26,519	209,753
Amortisation on intangible assets	–	–	–	387,500
Operating cash flow before movements in working capital	(455,335)	(1,753,053)	(1,672,565)	(1,200,042)
Increase in the amount due from shareholding company	–	–	–	(3,000,000)
Decrease in right-of-use asset	–	–	–	773,293
Increase in inventory	–	(42,943)	–	(304,075)
Increase in prepayments and deposits	(2,053,000)	(1,452,047)	(930,699)	(581,211)
Increase in other receivables	(61,338)	(187,935)	(225,172)	(208,692)
Increase in account payable	–	–	–	133,245
Decrease in lease liability	–	–	–	(748,893)
Increase in accruals and other payables	65,768	891,166	141,158	14,814,401
Increase (decrease) in amount due to shareholding company	–	150,000	–	(130,157)
Net cash (used in) generated from operating activities	**(2,503,905)**	**(2,394,812)**	**(2,687,278)**	**9,547,869**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(76,609)	(1,192,940)	(437,183)	(119,600)
Purchases of intangible assets	–	–	–	(15,500,000)
Bank interest income	4,397	5,066	3,532	2,022
Net cash used in investing activities	**(72,212)**	**(1,187,874)**	**(433,651)**	**(15,617,578)**

	From 9 August 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	2019
	RMB	*RMB*	*RMB*	*RMB*
			(Unaudited)	
FINANCING ACTIVITIES				
Proceeds from capital contribution	6,000,000	1,500,000	1,000,000	6,500,000
Payment of lease liability	–	–	–	(89,937)
Net cash generated from financing activities	**6,000,000**	**1,500,000**	**1,000,000**	**6,410,063**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,423,883**	**(2,082,686)**	**(2,120,929)**	**340,354**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	**–**	**3,423,883**	**3,423,883**	**1,341,197**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	**3,423,883**	**1,341,197**	**1,302,954**	**1,681,551**
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Bank balances and cash	3,423,883	1,341,197	1,302,954	1,681,551

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General Information

Suzhou Haitian New Antenna Technologies Co., Ltd.*(蘇州海天新天綫科技有限公司)(the "Target Company") is a private limited liability company established in the People's Republic of China (the "PRC") on 9 August 2017. The principal activities of the Target Company are development, sales and provision of after-sales services in respect of mobile communications antenna products and electronic communications equipment. Its holding company is Xi'an Xiao's Antenna Technologies Co., Ltd.*(西安肖氏天綫科技有限公司)("Xiao Antenna"), a company incorporated in the PRC with limited liability.

The financial statement is presented in RMB, which is the same as the functional currency of the Target Company.

2. Basis of Preparation of the Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 5 which conform with HKFRSs issued by the HKICPA and complied with the disclosure requirements of the Hong Kong Companies Ordinance ("CO") applicable for a PRC established company.

The Historical Financial Information has been prepared on the historical cost basis.

For the six months ended 30 June 2019, the Target Company incurred a net loss attributable to owners of the Target Company of RMB1,885,210 and as at that date, the Target Company had net current liabilities of RMB9,389,536. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Company's ability to continue as a going concern and therefore, the Target Company may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Target Company's ability to operate as a going concern, the Directors of the Target Company have implemented measures as follow:

(i) The ultimate controlling party has undertaken to provide adequate funds to enable the Target Company to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Target Company can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving these financial statements; and

(ii) The Directors of the Target Company will continue to implement measures aiming at improving the working capital and cash flows of the Target Company including closely monitoring general administrative expenses and operating costs.

* *English name is for identification purpose only*

The Directors of the Target Company have carried out a detailed review of the cash flow forecast of the Target Company for the coverage period to 31 December 2020, taking into account the impact of above measures, the Directors of the Target Company believe that the Target Company will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Target Company be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these financial statements.

3. Impact of New Hong Kong Financial Reporting Standards

HKFRS 16 LEASES

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Target Company, as a lessee, has recognised a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments.

The Target Company has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Target Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Target Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Target Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Target Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Target Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Target Company leases a property.

As a lessee, the Target Company previously classified the lease as operating lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Target Company recognises a right-of-use asset and lease liability for the lease.

The recognised right-of-use asset relate to the following type of asset:

	Balance as at	
	30 June 2019	**1 January 2019**
	RMB	*RMB*
Lease contract	2,964,289	3,737,582
Total right-of-use asset	2,964,289	3,737,582

The Target Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Target Company's incremental borrowing rate. Generally, the Target Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Target Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Target Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liability and right-of-use asset recognised.

Transition

Previously, the Target Company classified the property lease as operating lease under HKAS 17. It includes factory facilities. The lease runs for a period of three years. The lease provides for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Target Company's incremental borrowing rate as at 1 January 2019. Right-of-use asset is measured at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Target Company applied this approach to its lease contract.

(c) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Target Company recognised additional right-of-use asset and additional lease liability, recognising the difference in retained earnings. The change in accounting policy affected the following items on the statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 *RMB*
Asset	
Right-of-use asset	3,737,582
Total asset	3,737,582
Liability	
Lease liability	(3,786,798)
Total liability	(3,786,798)
Equity	
Retained earnings	(49,216)
Total equity	(49,216)

When measuring lease liability for lease that was classified as operating lease, the Target Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.75%.

	1 January 2019
	RMB
Operating lease commitment at 31 December 2018 as disclosed in the Target Company's financial statements	4,258,061
Discounted using the incremental borrowing rate and lease liability recognised as at 1 January 2019	3,786,798
Of which are:	
Current lease liability	1,515,573
Non-current lease liability	2,271,225
	3,786,798

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the lease that were previously classified as operating lease, the Target Company recognised RMB 2,964,289 of right-of-use asset and RMB3,037,905 of lease liability as at 30 June 2019.

Also in relation to this lease under HKFRS 16, the Target Company has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Target Company recognised RMB387,500 of depreciation charges and RMB89,937 of finance costs from the lease.

4. Issued But Not Yet Effective Hong Kong Financial Reporting Standards

At the date of this report, the HKICPA has issued the following new standards, amendments to standards and interpretation that have been issued but are not yet effective:

The Target Company has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRS 3 (Amendments)	Definition of a Business[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Target Company anticipate that, except as HKFRS 16 described in Note 3, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Target Company.

5. Significant Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the disclosures requirements of the Hong Kong Companies Ordinance.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue for sales of communication products are recognised when control of the goods has transferred, being when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provision have lapsed, or the Target Company has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised as contract assets when the goods are delivered to and accepted by the customers while the payment is not due. The Target Company does not recognise warranty service as a separate performance obligation in a single contract as the warranty service is assurance type, and the Target Company's obligation to repair or replace faulty parts of the products under the warranty terms is recognised as a provision.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

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

The Target Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Target Company as lessee

Assets held under finance leases are initially recognised as assets of the Target Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Short-term employee benefits

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

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

Taxation

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

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

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

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

Provisions

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial instruments (before the adoption of HKFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when a Target Company entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, bank deposits with maturity over 3 months and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Target Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Company's documented risk management or investment strategy, and information about the Target Company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire consolidated contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Derecognition of financial assets

The Target Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Target Company retains an option to repurchase part of a transferred asset), the Target Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Target Company entity are recognised at the proceeds received, net of direct issue costs. Repurchase of the Target Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including other payables and accruals and amount due to shareholding companies) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derecognition of financial liabilities

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

Financial instruments (under HKFRS 9)

Financial assets and financial liabilities are recognised when the Target Company entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

Financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Target Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

a. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;

b. Debt instruments that are held within a business model whose objective is both to collect and contractual cash flows and to sell the debt instruments, and what have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Target Company may make the following irrevocable election/ designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Target Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies, in other comprehensive income; and

- The Target Company may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (''ECLs''), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Target Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Target Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets measured at amortised cost that are considered to be of low credit risk, it is assumed that no significant increase in credit risk has occurred. Thus, the impairment provision recognised during the year was limited to 12-month expected losses.

For trade receivables only, the Target Company applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Management considers trade receivables do not contain a significant financing component. Thus, the impairment provision recognised during the period/year was equal to the lifetime expected losses.

When there is information (developed internally or obtained from external sources) indicating that a debtor is unlikely to pay its creditors, including the Target Company, in full, the Target Company may consider the related receivables are generally not recoverable and constitute as a default.

A financial asset is regarded as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Classification and measurement of financial liabilities

Financial liabilities including short term borrowing, other payable and accrual are measured at amortised cost using the effective interest method. Interest expense are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an equity investment which the Target Company has elected on initial recognition to measure at FVTOCI, the cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings.

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

Government grants

A government grant is recognised when there is reasonable assurance that the Target Company will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

Related parties

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

(i) has control or joint control of the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) the entity and the Target Company are members of the same Target Company (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Target Company of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a Target Company of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity, and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, short term deposits with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Target Company's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Target Company consider that the Target Company has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2 to the financial statements.

Depreciation and useful lives of plant and equipment

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

Amortisation and useful lives of intangible assets

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

Estimated impairment of intangible assets

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

Recognition of current taxes and deferred tax

There were transactions and calculations for which the ultimate tax determination was uncertain during the ordinary course of business. As detailed in the Target Company's accounting policies, deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

Allowance for inventories

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

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

The policy for making impairment loss on trade receivables, deposits, other receivables and amounts due from related parties is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including using a provision matrix based on the Target Company's historical credit loss experience, adjusted for factors that are specific to each debtor, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Amounts due from related parties are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience of repayment and other factors. If the financial conditions of debtors of the Target Company were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

Impairment of non-financial assets

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision of expected credit loss

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires significant judgment and estimation, in particular, the assessment of a significant increase in credit risk and credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. At each reporting date, the Target Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

7. Capital Risk Management

The Target Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders through the optimisation of the debt and equity balances. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of net debt (which includes amount due to shareholding companies, net of bank balances) and equity of the Target Company, comprising issued share capital and retained earnings.

The management of the Target Company reviews and manages its capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will take appropriate actions to balance its overall capital structure.

8. Financial Instruments

(a) Categories of financial instruments

	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
	RMB	*RMB*	*RMB*
Financial assets			
Loans and receivables at amortised cost	5,469,928	3,679,061	7,775,327
Financial liabilities			
Financial liabilities at amortised cost	65,768	1,106,934	18,962,328

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include other receivables, bank and cash balances, amounts due from shareholding companies, other payables and accruals and amounts due to shareholding companies. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

i Currency risk

The Target Company mainly operated in their local jurisdiction with all transactions settled in their functional currencies of the operations and did not have exposure to risk resulting from changes in foreign currency exchange rates. The Target Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

ii Interest rate risk

The Target Company's exposure to interest-rate risk mainly arises from its bank deposits. These deposits bear interests at variable rates that vary with the then prevailing market condition.

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

iii Credit risk

At the end of each of the Relevant Periods, the Target Company's maximum exposure to credit risk will cause a financial loss to the Target Company due to failure to repay for amount due from shareholding companies.

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

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

iv Liquidity risk

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

The directors of the Target Company have given careful consideration to the going concern of the Target Company. The directors of the Target Company is of the opinion that, taking into account presently available internal financial resources of the Target Company and financial assistance from shareholders, the Target Company has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the financial statements have been prepared on a going concern basis.

The following table details the Target Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each year/period during the Relevant Periods.

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2017							
Non-derivative financial liabilities							
Accruals and other payables	N/A	65,768	–	–	–	–	65,768
		65,768	–	–	–	–	65,768

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2018							
Non-derivative financial liabilities							
Accruals and other payables	N/A	956,934	–	–	–	–	956,934
		956,934	–	–	–	–	956,934

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 30 June 2019							
Non-derivative financial liabilities							
Trade payables	N/A	133,245	–	–	–	–	133,245
Accruals and other payables	N/A	271,335	–	–	–	–	271,335
Lease liability	N/A	3,037,905	–	–	–	–	3,037,905
Amounts due to shareholding companies	N/A	15,519,843	–	–	–	–	15,519,843
		18,962,328	–	–	–	–	18,962,328

9. Segment Reporting

The directors have identified that, during the Relevant Periods, the Target Company is principally engaged in a single type of reporting segment, that is, sales of goods in the PRC.

All the assets and liabilities of Target Company are located in the PRC during the Relevant Periods.

10. Revenue

	From 9 August 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Sales of goods				
– At a point in time	–	172,414	–	85,345
	–	172,414	–	85,345

11. Other Revenue

	From 9 August 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Bank interest income	4,397	5,066	3,532	2,022
Rental subsidy	–	985,625	–	733,976
Sundry income	435	2,347	–	–
	4,832	993,038	3,532	735,998

12. Finance Costs

	From 9 August 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB	*RMB*	*RMB*	*RMB*
			(Unaudited)	
Interest expense on lease liability	–	–	–	89,937
	–	–	–	89,937

13. Income Tax Expense

No provision for profits tax is required since Target Company has no assessable profits for the Relevant Periods.

The reconciliation between the income tax expense for the Relevant Periods and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	From 9 August 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB	*RMB*	*RMB*	*RMB*
			(Unaudited)	
Loss before tax	(451,310)	(1,957,448)	(1,695,552)	(1,885,210)
Tax at the domestic income tax rate of 25%	(112,828)	(489,362)	(423,888)	(471,303)
Tax effect of expenses that are not deductible	112,828	489,362	423,888	471,303
Income tax expense	–	–	–	–

No provision for deferred taxation has been made in the Financial Information as there was no material temporary difference.

14. Loss for the year/period

Target Company's loss for the year/period is stated after charging the following:

	From 9 August 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Directors' remuneration				
– Salaries and allowances	150,000	360,000	180,000	180,000
– Retirement benefits scheme	–	9,886	4,943	8,561
Other staff costs				
– Salaries and allowances	60,822	301,722	211,936	138,715
– Retirement benefits scheme	6,300	34,702	20,855	14,754
Depreciation on property, plant and equipment	372	209,461	26,519	209,753
Amortisation on intangible assets	–	–	–	387,500
Operating lease charges				
– Land and buildings	27,000	1,016,675	859,530	828,844

15. Director and Senior Management's Emolument

	Director's fees	Salaries, allowances and other benefits	Discretionary bonus	Retirement benefits scheme contributions	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
From 9 August 2017 (date of incorporation) to 31 December 2017					
Name of directors					
Mr. Xiao Liang Yong 肖良勇先生	–	–	–	–	–
Mr. Liao Kang 廖康先生	–	150,000	–	–	150,000
Ms. Wang Ya 王亞女士	–	–	–	–	–
Mr. Wang Yun 王贇先生	–	–	–	–	–
	–	150,000	–	–	150,000

	Director's fees	Salaries, allowances and other benefits	Discretionary bonus	Retirement benefits scheme contributions	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
For the year ended 31 December 2018					
Name of directors					
Mr. Xiao Liang Yong 肖良勇先生	–	–	–	–	–
Mr. Liao Kang 廖康先生	–	360,000	–	9,886	369,886
Ms. Wang Ya 王亞女士	–	–	–	–	–
Mr. Wang Yun 王贇先生	–	–	–	–	–
	–	360,000	–	9,886	369,886

	Director's fees *RMB*	Salaries, allowances and other benefits *RMB*	Discretionary bonus *RMB*	Retirement benefits scheme contributions *RMB*	Total *RMB*
Six months ended 30 June 2019					
Name of directors					
Mr. Xiao Liang Yong 肖良勇先生	–	–	–	–	–
Mr. Liao Kang 廖康先生	–	180,000	–	8,561	188,561
Ms. Wang Ya 王亞女士	–	–	–	–	–
Mr. Wang Yun 王贇先生	–	–	–	–	–
	–	180,000	–	8,561	188,561

	Director's fees *RMB*	Salaries, allowances and other benefits *RMB*	Discretionary bonus *RMB*	Retirement benefits scheme contributions *RMB*	Total *RMB*
Six months ended 30 June 2018 (unaudited)					
Name of directors					
Mr. Xiao Liang Yong 肖良勇先生	–	–	–	–	–
Mr. Liao Kang 廖康先生	–	180,000	–	4,943	184,943
Ms. Wang Ya 王亞女士	–	–	–	–	–
Mr. Wang Yun 王贇先生	–	–	–	–	–
	–	180,000	–	4,943	184,943

Note: All of the directors as above were appointed as a director on 9 August 2017 (date of incorporation).

(a) Directors' emoluments and other benefits

The Director's emoluments disclosed above include their services in connection with the management of the affairs of the Target Company. No Directors had waived any emoluments for the Relevant Periods. Save as disclosed above, no other emoluments were paid or payable to any Director.

(b) Directors' termination benefits

During the six months ended 30 June 2019, no termination benefits were paid to the directors (year ended 31 December 2018: Nil, year ended 31 December 2017: Nil).

(c) Consideration provided to third parties for making available Directors' services

During the six months ended 30 June 2019, no consideration was paid for making available the services of the directors of the Target Company (year ended 31 December 2018: Nil, year ended 31 December 2017: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the six months ended 30 June 2019, there was no loans, quasi-loans or other dealings entered into by the Target Company or subsidiaries undertaking of the Target Company, where applicable, in favour of directors (year ended 31 December 2018: Nil, year ended 31 December 2017: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company was a party and in which a director of the Target Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time throughout the Relevant Periods.

16. Five Highest Paid Employees

The five highest paid individuals in the Target Company during the Relevant Periods did not include any directors whose remunerations are set out in Note 15. The emoluments of these highest paid individuals for each of the Relevant Periods are set out below:

	From 9 August 2017 (date of incorporation) to 31 December	For the year ended 31 December	Six months ended 30 June	
	2017	2018	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
			(Unaudited)	
Salaries, allowances and other benefits	49,512	301,722	211,936	138,715
Discretionary bonuses	11,310	–	–	–
Retirement benefit scheme contributions	6,300	34,702	20,855	14,754
	67,122	336,424	232,791	153,469

The number of non-director, highest paid individuals whose emoluments fell within the following bands:

	From 9 August 2017 (date of incorporation) to 31 December	For the year ended 31 December	Six months ended 30 June	
	2017	2018	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
			(Unaudited)	
Nil to RMB1,000,000	4	4	4	4

During the Relevant Periods, no emoluments were paid by the Target Company to any of the directors or the five highest paid individuals of the Target Company (including directors and employees) as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of the director has waived any emoluments during the Relevant Periods.

17. Dividends

No dividend has been declared or paid by the Target Company during the Relevant Periods.

18. Property, Plant and Equipment

	Office equipment
	RMB
Cost	
At 9 August 2017 (date of incorporation)	–
Additions	76,609
At 31 December 2017 and at 1 January 2018	76,609
Additions	1,192,940
At 31 December 2018 and at 1 January 2019	1,269,549
Additions	119,600
At 30 June 2019	1,389,149
Accumulated depreciation	
At 9 August 2017 (date of incorporation)	–
Charge for the period	372
At 31 December 2017 and at 1 January 2018	372
Charge for the year	209,461
At 31 December 2018 and at 1 January 2019	209,833
Charge for the period	209,753
At 30 June 2019	419,586
Carrying amount	
At 30 June 2019	969,563
At 31 December 2018	1,059,716
At 31 December 2017	76,237

19. Intangible Assets

	Patents
	RMB
Cost	
At 9 August 2017 (date of incorporation)	–
Additions	–
At 31 December 2017 and at 1 January 2018	–
Additions	–
At 31 December 2018 and at 1 January 2019	–
Additions	44,100,000
At 30 June 2019	44,100,000
Accumulated amortisation	
At 9 August 2017 (date of incorporation)	–
Charge for the period	–
At 31 December 2017 and at 1 January 2018	–
Charge for the year	–
At 31 December 2018 and at 1 January 2019	–
Charge for the period	387,500
At 30 June 2019	387,500
Carrying amount	
At 30 June 2019	43,712,500
At 31 December 2018	–
At 31 December 2017	–

Note: Four contracts for the technology development services regarding electronic communications equipment with a total consideration of RMB19,500,000 have been entered into. The expected completion date of these transactions is in the second half of 2019.

The Target Company obtained these patents after completion in accordance with the relevant technology development service contracts during the six months ended 30 June 2019 and has the sole and exclusive rights to operate, manage and maintain these patents in the PRC for 10 years commencing from their patent application date. The net carrying amount will be amortised over the remaining useful life.

As at 30 June 2019, the appraised value of these patents of approximately RMB44,750,000 has been arrived at on the basis of a valuation carried out at that date by PSA (HK) Surveyors Limited, an independent professional valuer not connected to the Group who has appropriate qualifications and recent experience in the valuation of similar patents. The value of these patents was determined by replacement cost approach.

The estimated recoverable amount of the income rights was above its net carrying amount, accordingly no impairment loss is required.

20. Right-of-use Asset

During the year ended 31 December 2018, the Target Company entered into a new lease agreement for the use of plant for three years. The Target Company makes fixed payments during the contract period. Starting from 1 January 2019, the Target Company recognised RMB3,737,582 of right-of-use asset and lease liability.

21. Due From/(to) Shareholding Company

The amounts due from/(to) shareholding company are unsecured, interest-free and repayable on demand. The carrying amounts reasonably approximate to their fair values at the reporting date.

22. Deposits and Prepayments and Other Receivables

	As at 31 December 2017	**As at 31 December 2018**	**As at 30 June 2019**
	RMB	*RMB*	*RMB*
Deposits and prepayments	53,000	1,505,047	1,586,258
Prepayment for development cost *(Note 28(b))*	2,000,000	2,000,000	2,500,000
Other receivables	61,338	249,273	457,965
	2,114,338	3,754,320	4,544,223

As at 30 June 2019, deposits and prepayment mainly consists of rental deposits paid to a landlord in relation to the research and development of electronic communications products amounting to RMB440,385 (31 December 2018: RMB440,385; 31 December 2017: Nil).

Prepayment for development cost represent the amount paid to Xiao Antenna to develop communication technology and the Target Company expect to complete in August 2019.

23. Bank Balances and Cash

	As at 31 December 2017 *RMB*	As at 31 December 2018 *RMB*	As at 30 June 2019 *RMB*
Bank balances and cash	3,423,883	1,341,197	1,681,551

The bank balances and cash of Target Company are denominated in the following currency:

	As at 31 December 2017 *RMB*	As at 31 December 2018 *RMB*	As at 30 June 2019 *RMB*
RMB	3,423,883	1,341,197	1,681,551

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. Accruals and Other Payables

	As at 31 December 2017 *RMB*	As at 31 December 2018 *RMB*	As at 30 June 2019 *RMB*
Accrued expenses	62,168	73,111	128,953
Other payables	3,600	883,823	142,382
Payable of acquisition of intangible assets *(Note 28(b))*	–	–	15,500,000
	65,768	956,934	15,771,335

25. Share Capital

	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
	RMB	*RMB*	*RMB*
Registered share capital	10,000,000	10,000,000	11,428,571
Increased of registered share capital on 3 September 2018 and 12 June 2019	–	1,428,571	28,600,000
	10,000,000	11,428,571	40,028,571

	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
	RMB	*RMB*	*RMB*
Issued and paid up capital	6,000,000	6,000,000	7,500,000
Increased of paid up capital	–	1,500,000	32,528,571
	6,000,000	7,500,000	40,028,571

The Target Company was incorporated on 9 August 2017 with registered capital of RMB10,000,000. On 3 September 2018, the registered capital of the Target Company was increased from RMB10,000,000 to RMB11,428,571. On 12 June 2019, the registered capital of the Target Company was further increased to RMB40,028,571.

The Target Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Target Company currently does not have any specific policies and processes for managing capital.

The Target Company is not subject to any externally imposed capital requirements.

26. Commitments

(a) Lease commitments outstanding

As at each of the Relevant Periods, not provided for in the financial statements were as follows:

	As at 31 December 2017 *RMB*	As at 31 December 2018 *RMB*	As at 30 June 2019 *RMB*
Within one year	–	1,762,542	–
In the second to fifth years inclusive	–	2,495,519	–
	–	4,258,061	–

Operating lease payments represent rentals payable by Target Company for its plant. Leases are negotiated for a term of three years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Capital commitments outstanding

As at each of the Relevant Periods, not provided for in the financial statements were as follows:

	As at 31 December 2017 *RMB*	As at 31 December 2018 *RMB*	As at 30 June 2019 *RMB*
Technology development service contracts:			
– Contracted but not provided for	35,500,000	35,500,000	19,500,000
	35,500,000	35,500,000	19,500,000

The Target Company has entered into eight contracts with its holding company, Xiao Antenna for the technology development services with a total consideration of RMB35,000,000, and recognised four patents during the six months ended 30 June 2019 amounting to RMB15,500,000.

27. Contingent Liabilities

As at 30 June 2019, the Target Company had no material contingent liabilities and contingencies arising from the ordinary course of its business (31 December 2018: Nil; 31 December 2017: Nil).

28. Related Party Transactions

(a) In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, details of transaction between the Target Company and other related parties are disclosed below:

	From 9 August 2017 to 31 December 2017	For the year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
	RMB	*RMB*	*RMB* (Unaudited)	*RMB*
Technology development services contracts	–	–	–	15,500,000
Purchases of goods from holding company	–	21,782	–	17,106

(b) Included in prepayment and other payables arising from (to) certain related parties, the net balance of which are as follows:

	As at 31 December 2017 RMB	As at 31 December 2018 RMB	As at 30 June 2019 RMB
Amount due from (to) related parties			
The Company *(Note (i))*			
– Loan	–	–	3,000,000
Xiao Antenna *(Note(ii))*			
– Prepayment	2,000,000	2,000,000	2,500,000
– Payable of acquisition of intangible assets *(Note 24)*	–	–	(15,500,000)
– Received on behalf *(Note 21)*	–	(150,000)	(19,843)
	2,000,000	1,850,000	(10,019,843)

The fair values of the balances included in the accounts at the end of the reporting period approximate the corresponding carrying amounts.

Notes:

(i) The Company owned 8.6% of equity interest in the Target Company.

(ii) Xiao Antenna is the holding company of the Target Company.

(c) Compensation of key management personnel

Members of key management personnel of the Target Company during the Relevant Periods comprised only the directors whose remunerations are set out in Note 15.

29. Comparative Figures

The Target Company has initially applied HKFRS 16 at 1 January 2019. Under the transitions method chosen, the comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

30. Subsequent Financial Statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2019.

The following management discussion and analysis should be read in conjunction with the accountants' report of Suzhou Haitian for the period from 9 August 2017 (being its date of incorporation) to 31 December 2017, for the year ended 31 December 2018 and for the six months ended 30 June 2019.

1. BUSINESS REVIEW

Suzhou Haitian is a limited company established in the PRC on 9 August 2017 and principally engaged in research and development, production, sales and provision of after-sales services in respect of mobile communications antenna products and electronic communications equipment, technology development and technical services in respect of communications and computer software, and design, technical advice and construction in respect of communications engineering for the periods under review.

Suzhou Haitian's only operating segment is the sales and provision of after-sales services in respect of mobile communications antenna products and electronic communications equipment in the PRC.

Upon Completion, Suzhou Haitian will become a wholly-owned subsidiary of the Company and the financial results of the Suzhou Haitian will be consolidated with the Group.

2. FINANCIAL REVIEW

For the period from 9 August 2017 to 31 December 2017 and for the year ended 31 December 2018, the total revenue was nil and RMB172,414, respectively. For the six months ended 30 June 2018 and 2019, the total revenue was nil and RMB85,345, respectively. The increase of the total revenue was mainly contributed by sales of mobile communication antenna products.

3. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the Latest Practicable Date, Suzhou Haitian had a registered capital of approximately RMB40.03 million, which was fully contributed by the Company and the Vendors.

Suzhou Haitian's daily operation and capital expenditures are mainly funded by capital contributions from the Company and the Vendors. As at 31 December 2017, 31 December 2018 and 30 June 2019, Suzhou Haitian had net current assets of approximately RMB5.5 million and RMB4.0 million and net current liabilities of approximately RMB9.4 million, respectively.

As at 31 December 2017, 31 December 2018 and 30 June 2019, the total equity of Suzhou Haitian was approximately RMB5.5 million, RMB5.9 million and RMB38.3 million, respectively. Gearing ratio of Suzhou Haitian, which was calculated as total liabilities divided by total equity, was 1.2%, 18.8% and 49.6% as at 31 December 2017, 31 December 2018 and 30 June 2019, respectively.

For the period from 9 August 2017 to 31 December 2017, for the year ended 31 December 2018 and for the six months ended 30 June 2019, Suzhou Haitian did not have any treasury policy or hedging arrangement.

Suzhou Haitian has launched its sales business in the second half of 2019 and, as at the Latest Practicable Date, Suzhou Haitian had entered into purchase contracts and sales intention agreement with an aggregate amount of approximately RMB630,000. Following the issue of 5G commercial licenses by the Ministry of Industry and Information Technology of the PRC, it is expected that mobile operators and system suppliers would launch 5G product procurement activities in the second half of 2019. Accordingly, the expected sales generated by the Patents could provide sufficient cash flow to support its normal business operations in the coming year. On 1 September 2019, Suzhou Haitian and Xiao Antenna entered into supplemental agreements for the eight technical development service contracts, pursuant to which Xiao Antenna agreed that (i) the total contract amount of RMB15.5 million for four completed contracts which were recorded as accruals and other payables under current liabilities in the statement of financial position as at 30 June 2019 of Suzhou Haitian will be due on 31 December 2020 (which is originally due on 31 July 2019 and is a non adjusting event that not required to reclassify as non-current liabilities pursuant to the relevant accounting standard and accounting policy) and (ii) the total contract amount of RMB19.5 million for four uncompleted contracts which were disclosed as capital commitment in the notes to the historical financial information as at 30 June 2019 of Suzhou Haitian will be due on 30 June 2021. Accordingly, the Board believes that Suzhou Haitian has the ability to operate as a going concern.

4. EMPLOYEE INFORMATION

As at 31 December 2017, 31 December 2018 and 30 June 2019, Suzhou Haitian had 6, 6 and 17 employees, respectively. For the period from 9 August 2017 to 31 December 2017, for the year ended 31 December 2018 and for the six months ended 30 June 2019, the total employee remuneration amounted to RMB217,122, RMB706,310 and RMB342,030, respectively.

Suzhou Haitian reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Suzhou Haitian pays employee benefits including employment insurance, medical insurance and unemployment insurance in accordance with PRC policies. Bonuses are also available to employees of the Suzhou Haitian at the discretion of its board and depending on the financial performance of the Suzhou Haitian. No share options system is employed by Suzhou Haitian to its directors and employees.

Suzhou Haitian provides on-the-job training to staff including enterprise management, safety production, mobile communication antenna basic knowledge, antenna product installation and debugging skills, quality and environmental system, and financial management knowledge and development.

5. CHARGE ON ASSETS

As at 31 December 2017, 31 December 2018 and 30 June 2019, Suzhou had no charges or pledges on its assets.

6. SIGNIFICANT INVESTMENT

Except for the investment in the patents owned by Suzhou Haitian, there was no other material investment made or held by Suzhou Haitian for the period from 9 August 2017 to 31 December 2017, for the year ended 31 December 2018 and for the six months ended 30 June 2019.

7. MATERIAL ACQUISITION AND DISPOSAL

For the period from 9 August 2017 to 31 December 2017, for the year ended 31 December 2018 and for the six months ended 30 June 2019, Suzhou Haitian did not have any material acquisition or disposal of subsidiaries and associated companies.

8. EXCHANGE RISK EXPOSURE

As Suzhou Haitian operated in the PRC and all of its assets and liabilities were denominated in RMB, the currency risk of Suzhou Haitian generated from fluctuation in exchange rate was remote.

9. CONTINGENT LIABILITIES

As at 31 December 2017, 31 December 2018 and 30 June 2019, Suzhou Haitian did not have any material contingent liabilities.

10. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There are four technology development services contracts entered into by Suzhou Haitian and Xiao Antenna on 20 August 2017, 20 August 2017, 30 August 2017 and 15 September 2017 respectively, with a total consideration of approximately RMB19,500,000, which were not recognised as at 30 June 2019 because completion has not taken place in accordance with the relevant technology development services contracts. These contracts formulated based on a model Technology Development (Commission) Contract published by the Ministry of Science and Technology of the PRC, are technological development contracts applicable to one party commissioning the other party to conduct the research and development (R&D) of new technologies, new products, new processes or new materials and systems. Pursuant to these contracts, Xiao Antenna is commissioned by Suzhou Haitian to design antennas for a period up to 31 December 2019 based on the contract requirements, for which it should assist to complete and deliver, among others, the design, R&D testing and installation and commission experiment within designated time and use its best endeavour to cooperate with Suzhou Haitian in the application of patents. According to the terms of these contracts, all materials, such as technical documentations, must be delivered to Suzhou Haitian after the completion of R&D. At the same time, Suzhou Haitian has the exclusive right to use and receive interests derived from the patent rights while Xiao Antenna should provide technical guidance and training or technical services in relation to the application of relevant R&D achievements and should give assistance in terms of productization, marketization, product promotion, trial application and technological exchange, etc. Meanwhile, if Xiao Antenna carries out subsequent improvement (including any changes or upgrades made on the designed antennas) by applying relevant R&D achievements, from which any new technical achievements with substantive or creative technological progress such as upgrade of performance or specification of the designed antennas according to the market and technology development and specific benefits (i.e. the attribution and interests of any patents and technologies derived from the upgrade of the designed antennas) arising should be shared by Suzhou Haitian and Xiao Antenna jointly without any consideration. Such arrangement is in line with the normal business practice in the industry as the technology development services contracts were based on the model Technology Development (Commission) Contract, and the purpose of the arrangement is to protect Suzhou Haitian against Xiao Antenna's subsequent use of the designed antennas.

The pricing of the R&D fund for these technology development services contracts is determined after the mutual negotiation and agreement between Suzhou Haitian and Xiao Antenna and on normal commercial terms, taking into consideration of the expenses resulting from establishing the team for independent R&D by Suzhou Haitian, including but not limited to the remuneration for technical staff, the expenses of procuring equipment and materials, the costs of schematic prototype or sampling machine, testing process of various indicators and patent application while also with reference to the market pricing of relevant or similar technology development services, including the reasonable margin of newly-developed product in the market.

Except for the capital commitments outstanding in respect of the four technology development services contracts mentioned above, Suzhou Haitian has no future plans for material investments or capital assets in the coming year.

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group, being the Group together with Suzhou Haitian, as if the Acquisition had been completed on 30 June 2019 for the unaudited pro forma statement of assets and liabilities.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on:

(i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 which has been extracted from the interim report of the Company for the six months ended 30 June 2019;

(ii) the audited consolidated statement of financial position of Suzhou Haitian as at 30 June 2019 which has been extracted from Appendix II to this circular; and

(iii) after taking into account the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the Accountant's Report of Suzhou Haitian as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 30 June 2019 or at any future date.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2019	Consolidated statement of assets and liabilities of Suzhou Haitian as at 30 June 2019	Pro-forma adjustment	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (1))	*(Note (2))*	*(Note (3))*	
Plant and equipment	9,300	970		10,270
Goodwill	–	–	1,682	1,682
Intangible assets	–	43,712		43,712
Interest in an associate	4,960	–	(4,960)	–
Right-of-use asset	–	2,964		2,964
Deposits paid for acquisition of non-current assets	18,546	–		18,546
	32,806	47,646		77,174
Financial assets at fair value through profit or loss	16,205	–		16,205
Inventories	1,287	347		1,634
Trade receivables	478	–		478
Deposits, other receivables and prepayments	51,300	2,044		53,344
Amounts due from related parties	11	5,500		5,511
Amounts due from a director and supervisors	801	–		801
Bank balances and cash	8,331	1,682		10,013
	78,413	9,573		87,986
Current liabilities				
Trade payables	6,391	133		6,524
Other payables, accrued charges and deposits received	12,594	15,771		28,365
Contract liabilities	15	–		15
Lease liability	–	3,038		3,038
Amounts due to shareholders	26,500	–		26,500
Amounts due to related parties	500	20		520
Bank and other borrowings	51,725	–		51,725
	97,725	18,962		116,687
Net current liabilities	(19,312)	(9,389)		(28,701)
Net assets	13,494	38,257		48,473

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as set out in the published interim report on 9 August 2019.

2. The amounts were derived from the financial information of Suzhon Haitian as at 30 June 2019 as set out in Appendix II to this circular.

3. The adjustments represent the recognition of goodwill arising from the acquisition of Suzhon Haitian. Upon completion of the Acquisition, the identifiable assets and liabilities of Suzhon Haitian were accounted for in the balance sheet of the Enlarged Group at fair value under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3, "Business Combination" ("**HKFRS 3**").

   The difference in the fair value of the net identifiable assets of Suzhou Haitian over the consideration is recognised as a goodwill. Assuming the acquisition is completed on 30 June 2019, the goodwill from the acquisition of Suzhou Haitian is calculated as follows:

	Notes	*RMB'000*
Pro forma fair value of consideration – share issued	*(a)*	34,979
Pro forma fair value of consideration – equity interest held	*(b)*	4,960
Less: Pro forma fair value of identifiable net assets acquired	*(c)*	(38,257)
Goodwill arising from the acquisition	*(d)*	1,682

   The fair values of equity interest held and the identifiable assets and liabilities of Suzhou Haitian are subject to change upon the finalisation of the valuation for the completion date of the Transaction, which may be different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information.

   (a) Based on the Agreement, the Group will issue 166,570,176 Domestic Shares at an issue price of RMB0.21 for the acquisition of the remaining approximately 91.43% equity interest in Suzhon Haitian. The Directors estimated the fair value of the Domestic Shares as at 30 June 2019. The Company will conduct a separate valuation upon completion of the Acquisition in accordance with HKFRS 3. The auditor will review the valuations conducted by the management in the upcoming audit.

   (b) The investment in an associate of the Group is Suzhon Haitian which measured at its acquisition-date of RMB4,960,000.

   (c) In accordance with the HKFRS 3, the Group will apply acquisition method to account for the Acquisition. In applying the acquisition method, the identifiable assets and liabilities of Suzhon Haitian have to be recorded at their fair values. For the purpose of the preparation of the unaudited pro forma statement of assets and liabilities, the carrying amounts of the identifiable assets and liabilities of Suzhon Haitian as estimated by the Directors as at 30 June 2019 are assumed to be approximate to their fair values.

(d) For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment indicator in respect of the goodwill and other intangible assets expected to arise from the Acquisition following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets". The Directors confirm that consistent policies and assumptions with regards to impairment assessment on goodwill and other intangible assets will be applied for the purposes of the Unaudited Pro Forma Financial Information and for future financial reporting. After assessment of the expected sales generated by the Patents which could provide sufficient cash flow to support the normal business operations and going concern ability of Suzhou Haitian, the Directors consider that there is no impairment indicator on the goodwill with assumed values set out above. The Company will conduct a separate valuation upon completion of the Acquisition in accordance with HKFRS 3 and also as at each of the Company's balance sheet date in accordance with HKAS 36 for the purpose of an impairment test on goodwill. The auditor will review the valuations and the impairment test conducted by the management in the upcoming audit in accordance with the same methodology under HKAS 36. Save for unforeseen circumstances, for the purpose of the impairment test upon completion of the Acquisition and in the subsequent balance sheet date, the auditor will adopt the same set of impairment indicators as adopted for the purpose of the Unaudited Pro Forma Financial Information for those impairment assessments.

(e) Since the fair values of the considerations and the identifiable assets and liabilities of Suzhon Haitian at the date of the Acquisition may substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets (including intangible assets) and the goodwill arising from the Acquisition may be different from the amounts presented above.

REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from Confucius International CPA Limited, the independent reporting accountant, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

PAN-CHINA
天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Xi'an Haitian Antenna Technologies Co., Ltd.*（西安海天天綫科技股份有限公司）(formerly known as Xi'an Haitiantian Holdings Co., Ltd.*（西安海天天實業股份有限公司）) (the "Company")

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Xi'an Haitian Antenna Technologies Co., Ltd.*（西安海天天綫科技股份有限公司）(formerly known as Xi'an Haitiantian Holdings Co., Ltd.*（西安海天天實業股份有限公司）) (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2019 and related notes as set out in Appendix IV to the circular issued by the Company dated 25 October 2019 (the "Circular"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the Circular.

* *English name is for identification purpose only*

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed acquisition of entire equity interests of Suzhou Haitian New Antenna Technolgies Co., Ltd.*（蘇州海天新天綫科技有限公司）(the "Proposed Acquisition") on the Group's financial position as at 30 June 2019 as if the Proposed Acquisition had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2019, which was published on 13 August 2019.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (the "AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

* *English name is for identification purpose only*

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Confucius International CPA Limited
Certified Public Accountants
Hong Kong 25 October 2019

The following is the text of a letter from PSA (HK) Surveyors Limited, an independent valuer, in respect of the valuation on the Patents as at 30 June 2019 as set out in this Appendix and prepared for the purpose of inclusion in this circular.

PSA

25 October, 2019

The Board of Directors
Xi'an Haitian Antenna Technologies Co., Ltd.
Room B, 16th Floor,
Yam Tze Commercial Building,
23 Thomson Road, Wanchai,
Hong Kong

1. CONSULTATION SCOPE

We are instructed by Xi'an Haitian Antenna Technologies Co., Ltd. (formerly known as Xi'an Haitiantian Holdings Co., Ltd.) ("XHAT") to conduct valuation on the 11 patents held by Suzhou Haitian New Antenna Technologies Co., Ltd. ("Suzhou Haitian"). The series numbers of the patents are: ZL201711009402.8, ZL201711016223.7, ZL201711016267.X, ZL201830094237.X, ZL201721192117.X, ZL201721191793.5, ZL201721375838.4, ZL201721375825.7, ZL201721513978.3, ZL201721192419.7 and ZL201721192039.3 (the "11 Patents").

2. PURPOSE OF VALUATION REPORT

This valuation report provides objective opinion on the fair value of the 11 Patents held by Suzhou Haitian. This valuation report is prepared for inclusion in the circular of XHAT and financial reporting purpose only.

3. VALUATION BASIS

We reviewed and complied with the "Hong Kong Institute of Surveyors Valuation Standards (2017 Edition)" issued by the Hong Kong Institute of Surveyors (HKIS) and the "International Valuation Standards" promulgated by the International Institute for Valuation Standards.

4. VALUATION DATE

The valuation date is 30 June 2019, which is agreed upon by instructing and instructed parties.

5. COMPANY OVERVIEW

Suzhou Haitian is based in Building 5, 15 Zhujing Road, High-tech Industrial Development Zone, Changshu City, Jiangsu Province. Suzhou Haitian was established in August 2017. Professor Xiao Liangyong, the chairman of Suzhou Haitian, is an internationally renowned antenna expert. Suzhou Haitian has strong arms of R&D, production, sale and services. XHAT, a prestigious enterprise, is one of the shareholders of Suzhou Haitian.

Suzhou Haitian has developed "low-energy-saving artificial medium lens multi-beam large-capacity antenna" in house. This antenna has broad potential applications in the areas of mobile communication 3G/4G network, large-scale outdoor coverage of WLAN, fifth-generation mobile communication (5G) 26G large-scale antenna, automotive electronics, internet of things, national defense, aerospace, and astronomical radio. There are modern production workshops and high-precision experimental facilities located in Changshu City, Suzhou. Suzhou Haitian has gathered the top research scientists and competent operation team. In addition, Suzhou Haitian has adopted a strict quality control system for production processes, which fully guarantees the leading level of product quality, automated batch production, technology and service capabilities.

6. VALUATION APPROACH

There are three generally accepted valuation approaches for the valuation of Suzhou Haitian's intangible assets.

Replacement cost approach

The replacement cost approach refers to the methodology of determining the fair value of the subject based on the market value of the asset or the historical expenses on valuation date, after subtracting the depreciation caused by the time and technological progress.

Market approach

The market approach refers to the methodology that compares the subject with similar assets to determine its fair value. The approach used is the comparison of precedent transactions in the market.

Income approach

The income approach refers to the methodology of discounting or capitalizing the expected return on the subject to determine its fair value. The commonly used approach is discounted cash flow method (DCF).

7. SELECTION OF VALUATION METHODOLOGY

According to the purpose and characteristics of this valuation, we have selected the replacement cost approach to value the 11 Patents. Below are the reasons:

Income approach: Since the subjects are newly-invented patents that were granted near the valuation date, the patents have not been monetized. The future cash flow cannot be reliably projected, so the income approach is not suitable for this valuation.

Market approach: Because of the difficulty of identifying similar precedent transactions, it is not feasible to use market approach for this valuation.

Replacement cost approach: Since the detailed measurement data of each asset can be collected, the replacement cost approach can be used for valuation.

Valuation = full replacement cost × (1 – depreciation rate)

8. DISCUSSION ON THE SPECIFIC APPLICATION OF THE VALUATION APPROACH

1. Full Replacement Cost:

Full replacement cost = replacement cost + capital cost + reasonable profit

(1) Replacement Cost

Replacement cost = office expense + mold cost + hospitality expense + travel expenses + research and development materials cost + development service cost + test cost + staff salary + software development cost + university collaboration expense

A. Mold and material costs: the molds and materials purchased directly for the development of patented technology during the development period. These costs are adjusted according to the industrial product price index published by the National Bureau of Statistics.

B. Indirect costs: office expenses, hospitality, travel expenses, development service cost, testing cost, software development cost and university collaboration expense related to research and development. These costs are adjusted according to consumer price index published by the National Bureau of Statistics.

C. Staff salary: the labour cost of the research scientists and assistants who directly participated in the patent technology development. These costs are adjusted according to the average industry wages publicized by the National Bureau of Statistics.

(2) Capital Cost

Capital cost refers to the interest incurred during the research and development period. It is based on the prevailing interest rate on the valuation date and information procured through interviews with research and development personnel of the 11 Patents. The research and development cycle of the 11 Patents is determined to be 5 years after considering (i) the actual research and development cycle of the 11 Patents where the longest cycle is 5.9 years; (ii) the nature of each of the 11 Patents; and (iii) the existing research and development technologies in the domestic market. Assuming that the funds are deployed evenly throughout the research and development cycle, capital cost calculation is below:

Capital cost = replacement cost × prevailing interest rate on the valuation date × R&D cycle/2

(3) Reasonable Profit

According to the average profit rate of the companies in the same industry from 2014 to 2018, the reasonable profit rate is determined. The companies selected are listed on the Shenzhen Stock Exchange and principally engaged in the manufacturing of computers, communications and other electronic equipment industry. The financial data on the companies selected is obtained from the financial data terminal developed by Hithink RoyalFlush Information Network Co., Ltd. ("Hithink"). Hithink is the largest financial services provider in the PRC with a registered active user base of over 300 million. Since Hithink collects financial data from the stock exchange, financial regulatory authorities, financial media and third-party authorities, it is considered that such financial data is fair, representative and reliable.

Reasonable profit = (replacement cost + capital cost) × reasonable profit rate

2. Depreciation Rate

In order to determine the average life of the patents, this assessment takes into consideration of the rapid development of science and technology. The 11 Patents were applied for and granted between September 2017 and January 2019. Based on the expected economic benefits for the patent holder, the average remaining life of the 11 Patents is approximately 8.62 years. The average used life of the 11 Patents is approximately 1.38 years as of the valuation date. Details of the remaining life and used life of the 11 Patents are as follows:

Number	Name	Granted Date	Remaining Life (years)	Used Life (years)
1	Artificial medium cylindrical lens omnidirectional multi-beam antenna	13 November 2018	9.37	0.63
2	Artificial medium cylindrical lens sector multi-beam antenna	18 January 2019	9.55	0.45
3	Artificial medium cylindrical lens high-rise coverage multi-beam antenna	30 October 2018	9.33	0.67
4	Antenna (4 beams)	23 November 2018	8.70	1.30
5	Artificial medium cylindrical lens 4 beam antenna	10 August 2018	8.22	1.78
6	Artificial medium cylindrical lens 5 beam antenna	30 March 2018	8.22	1.78
7	Artificial medium cylindrical lens 6 beam antenna	9 October 2018	8.32	1.68
8	Artificial medium cylindrical lens 9 beam antenna	4 May 2018	8.32	1.68
9	Dual-frequency Wi-Fi artificial medium cylindrical lens 12 beam antenna	8 June 2018	8.38	1.62
10	Communication emergency vehicle miniaturized artificial medium cylindrical lens 6 beam antenna	10 August 2018	8.22	1.78
11	Dual-frequency Wi-Fi outdoor type artificial medium cylindrical lens 20 beam antenna	10 August 2018	8.22	1.78
	Average		8.62	1.38

3. Valuation

Valuation = full replacement cost × (1 – depreciation rate)

9. INVESTIGATION AND VALUATION STEPS

We gather materials on Suzhou Haitian and the 11 Patents through in-depth discussions with the management team. We have collected as much information as possible to conduct a thorough review in order to avoid one-sided analysis or unfairness in the valuation process. We assume that the information provided to us has been properly validated by the management team/partners.

We have carefully verified and analyzed (including but not limited to) the following information:

- Intangible assets ledger of Suzhou Haitian
- Copy of intangible assets patent certificates of Suzhou Haitian
- Copy of intangible assets patent application of Suzhou Haitian
- Copy of technology development contract of intangible assets patent of Suzhou Haitian

Factors considered in this valuation (including but not limited to):

- Supply and demand of local patent technology products
- Patent technology product income price
- Operational and financial risks of Suzhou Haitian
- Government patent policy that effects patents held by Suzhou Haitian
- Operational parameters of comparable companies in equipment manufacturing industry
- Suzhou Haitian management team's experience
- China's macro economy and the term of patents

We make reasonably effort to conduct due diligence on the rationality of the basic parameters provided by the management. We also gather information from public sources as supporting evidence. However, we are not responsible for its reasonableness, accuracy and validity.

Site Research and Management Interviews

On 27 July 2019, we visited Suzhou Haitian onsite and conducted in-depth interviews with the management. Through these interviews, we learn Suzhou Haitian's history, operations, patents and future visions. We use the information obtained in the interviews to cross check the materials provided by the management.

10. SPECIAL STATEMENT

Among the 11 Patents in this valuation, 4 patents are intangible assets that were not accounted for, with a book value of RMB0. The series number of these patents are: ZL201721375825.7, ZL201721513978.3, ZL201721192419.7 and ZL201721192039.3. Suzhou Haitian outsourced the R&D of these 4 patents to Xi'an Xiao's Antenna Technologies Co., Ltd. Total payable expenses amounted to RMB19.5 million. We bring the attention of the users of this report to these total payable expenses.

11. VALUATION ASSUMPTIONS

Due to the changing economic environment of Suzhou Haitian's early operations, Suzhou Haitian's management prepared a series of operational assumptions designed to support our market value. These assumptions are stated as follows:

- Suzhou Haitian continues to operate in China and meets all laws and regulations for its ongoing operations.

- There have been no major changes in the policies, laws and regulations that may seriously affect or even reverse Suzhou Haitian's operating status and infrastructure construction, and there has been no major change in the economic and financial environment. The management's expected future earnings are in line with the overall development strategy, industry trends and national policies for the industry.

- There is no significant change in the tax laws of Suzhou (where Suzhou Haitian operates), and the tax rate of Suzhou Haitian's tax payable remains unchanged. Suzhou Haitian strictly abides by the Suzhou tax laws and legal standards that should be observed.

- There have been no major negative events that management has no control over, including natural disasters, major disasters, fires, explosions, floods, terrorist attacks, and infectious diseases that can seriously negatively affect Suzhou Haitian's operations.

- The book value of the intangible assets, the service contract, the status of the intangible assets or other information related to the valuation provided by Suzhou Haitian are true, complete and credible.

- Suzhou Haitian's business scope, business model and business objectives are based on existing management guidelines.

- The management's forecast that no major capital expenditures are involved is true and reasonable.

12. GENERAL SERVICE CONDITIONS

PSA (HK) Surveyors Limited ("PSA") has implemented in accordance with the "Hong Kong Institute of Surveyors Valuation Standards (2017 Edition)" and "International Valuation Standards". There is no contingent connection between our compensation and the value of Suzhou Haitian being valued. We assume that the data provided to us is true and we have not independently verified the authenticity. We assume that we will act as an independent candidate and retain the rights to engage external consultants and experts. All files, documents and scripts that we produced during the contracted project are our assets. We will retain this data for at least six years.

This report and valuation are for complete use only and should not be taken out of context without reference to the entire report. Our reports may only be used for the purposes specified herein and are not valid for other uses. No third party may use our reports without our written consent. You can present this report in full to third parties who wish to review our content. No one can use our report as a substitute for due diligence without conducting its own due diligence. Without our written permission, you may not, in whole or in part, invoke our name and report for use in documents that you have prepared or distributed to other third parties.

This valuation cannot be attached to other valuations or studies. The valuation conclusions we have stated are based on the valuation procedures mentioned in the report and cannot be separated. No part of this valuation, other than by PSA, may be modified. We are not responsible for any unauthorized changes. You agree to indemnify PSA for any loss, claim, suit, indemnity, expense, legal liability (including reasonable legal advisory fees) for the engagement. For our own negligence, you don't have to take responsibility. Your liability and payment responsibilities are extended to any controller of PSA, including any director, personnel, employee and subcontractor, affiliate and agent of PSA. For the agreed project itself, regardless of any high level law, our liability limit for claim is equal to the total fee we charge for the project.

We do not intend to comment on events that require legal or special expertise that generally exceeds the capabilities of the valuation agency.

Any purchase, sale, transfer of benefits, etc. with Suzhou Haitian, as well as the structure used and the price accepted are the responsibility of the owner.

Choosing an acceptable price needs to take into account beyond what we can and will provide. An actual transaction involves the target subject being given a higher or lower price, depending on the type of transaction and business, as well as the knowledge reserve and willingness of the buyer and seller at the time. In the valuation process, we reserve the right to review our valuation opinions when Suzhou Haitian's current financial status changes significantly.

We are not responsible for opposite opinion on reasonableness by such persons or for the costs involved in defending our opinions in all incidents that we may be challenged by the court or other persons. However, we are willing to retain our working papers for these questioning events, to help defend our professionalism, to attach direct actual costs based on the current price at that time and to comply with our standard professional contracts at the time.

This valuation only reflects the facts and status on the valuation date.

13. VALUATION CONCLUSION

The conclusion on valuation is based on accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Suzhou Haitian and/or PSA.

Based on the valuation method adopted, the fair value of the 11 Patents held by Suzhou Haitian on 30 June 2019 was in the sum of RMB64.54 million, rounded to the nearing ten thousand RMB. The fair value of each patent is listed below:

Number	Patent Series Number	Name	Fair Value *(RMB)*
1	ZL201711009402.8	Artificial medium cylindrical lens omnidirectional multi-beam antenna	10,150,000
2	ZL201711016223.7	Artificial medium cylindrical lens sector multi-beam antenna	10,150,000
3	ZL201711016267.X	Artificial medium cylindrical lens high-rise coverage multi-beam antenna	8,720,000
4	ZL201830094237.X	Antenna (4 beams)	510,000
5	ZL201721192117.X	Artificial medium cylindrical lens 4 beam antenna	4,060,000
6	ZL201721191793.5	Artificial medium cylindrical lens 5 beam antenna	5,070,000
7	ZL201721375838.4	Artificial medium cylindrical lens 6 beam antenna	6,090,000
8	ZL201721375825.7	Artificial medium cylindrical lens 9 beam antenna	5,580,000
9	ZL201721513978.3	Dual-frequency Wi-Fi artificial medium cylindrical lens 12 beam antenna	5,580,000
10	ZL201721192419.7	Communication emergency vehicle miniaturized artificial medium cylindrical lens 6 beam antenna	3,050,000
11	ZL201721192039.3	Dual-frequency Wi-Fi outdoor type artificial medium cylindrical lens 20 beam antenna	5,580,000

We hereby certify that we have no present and prospective interests in Suzhou Haitian, or the value reported. If there is discrepancy between the English and Chinese versions of this report, the English version shall prevail.

For and on behalf of
PSA (HK) Surveyors Limited

Harry Chan, FHKIS, MRICS, MCIREA, RPS(GP)	Louis Fong, CFA, CPA, FRM
Valuation and Advisory Services	Valuation and Advisory Services
Managing Director	*Associate director*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is set out as follows:

		RMB
1,531,058,824	Shares of RMB0.10 each	153,105,882.40

The issued share capital of the Company (i) as at the Latest Practicable Date and (ii) upon Completion are set out as follows:

(i) As at the Latest Praticable Date

Issued and Paid-up or Credited as Fully Paid-up		*RMB*
885,294,118	Issued Domestic Shares	88,529,411.80
645,764,706	Issued H Shares	64,576,470.60
1,531,058,824	Total Shares	153,105,882.40

(ii) Upon Completion

Issued and Paid-up or Credited as Fully Paid-up		*RMB*
885,294,118	Issued Domestic Shares	88,529,411.80
166,570,176	Domestic Shares to be issued pursuant to the Agreement	16,657,017.60
645,764,706	Issued H Shares	64,576,470.60
1,697,629,000	Total Shares	169,762,900.00

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors, Supervisors and chief executive of the Company

As at the Latest Practicable Date, the interest and short position of the Directors, the Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Domestic Shares (long positions):

Name of person	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Domestic Shares *(Note 5)*	Approximate % in enlarged issued Shares *(Note 5)*
Mr. Xiao Bing (肖兵先生)	Beneficial owner and interest in controlled corporation	393,363,637 *(Note 1)*	44.43%	25.69%	36.24%	22.72%
Mr. Chen Ji (陳繼先生)	Beneficial owner and interest in controlled corporation	273,344,804 *(Note 2)*	30.88%	17.85%	25.19%	15.79%

Interests in H Shares (long positions):

Name of person	Capacity	Number of H Shares	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 5)*
Mr. Xiao Bing (肖兵先生)	Beneficial owner	10,000,000	1.55%	0.65%	0.58%
Mr. Chen Ji (陳繼先生)	Beneficial owner and interest in controlled corporation	46,071,000 *(Note 3)*	7.13%	3.01%	2.66%
Ms. Lu Lihua (陸麗華女士)	Beneficial owner	14,000	<0.01%	<0.01%	<0.01%

Interests in H Shares (short positions):

Name of person	Capacity	Number of underlying H Shares	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 5)*
Mr. Chen Ji（陳繼先生）	Interest in controlled corporation	36,300,000 *(Note 4)*	5.62%	2.37%	2.10%

Notes:

1. 328,363,637 Domestic Shares are held by 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）. By virtue of the SFO, Mr. Xiao Bing is deemed to be interested in the same 328,363,637 Domestic Shares. 65,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Mr. Xiao Bing.

2. 189,844,804 Domestic Shares are held by and 65,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to 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, which is beneficially owned as to 83.33% by Mr. Chen Ji and 16.67% by Shanghai Hongzhen Investment Management Co., Ltd.*（上海泓甄投資管理有限公司）(“**Shanghai Hongzhen Investment**”), and Shanghai Hongzhen Investment is beneficially owned as to 60% by Gaoxiang Investment. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 254,844,804 and 18,500,000 Domestic Shares.

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

4. 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.

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

Saved as disclosed above, as at the Latest Practicable Date, 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 (a) 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 (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) 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.

As at the Latest Practicable Date, Mr. Xiao Bing was a director of Tian An Corporate and Mr. Sun Wenguo was a director of Xi'an International Medical Investment Co., Ltd*（西安國際醫學投資股份有限公司）. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position 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.

(b) Directors' interests in assets and contracts

As at the Latest Practicable Date, save that Mr. Xiao was interested in the Agreement,

(i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up; and

(ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company subsisting at the Latest Practicable Date and which is significant in relation to the business of the Company.

(c) Directors', Supervisors' and management shareholders' interests in competing business

As at the Latest Practicable Date, none of the Directors, the Supervisors or the controlling shareholders of the Company and their respective associates had an interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed pursuant to the GEM Listing Rules.

(d) Substantial shareholders' and other shareholders' interests

As at the Latest Practicable Date, so far as is known to the Directors, the Supervisors or chief executive of the Company, the following persons/entities, other than a Director, Supervisor or chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be 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:

Interests in the Domestic Shares (long positions):

Name of person/entity	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Domestic Shares *(Note 13)*	Approximate % in enlarged issued Shares *(Note 13)*
Ms. Chen Jing (陳靜女士)	Spouse interest and interest in controlled corporation	393,363,637 *(Note 1)*	44.43%	25.69%	36.24%	22.72%
Professor Xiao Liangyong (肖良勇教授)	Parties acting in concert	393,363,637 *(Note 1)*	44.43%	25.69%	36.24%	22.72%
Tian An Corporate	Beneficial owner	328,363,637 *(Note 1)*	37.09%	21.45%	30.25%	18.97%
Ms. Sun Xiangjun (孫湘君女士)	Spouse interest and interest in controlled corporation	273,344,804 *(Note 2)*	30.88%	17.85%	25.19%	15.79%
Gaoxiang Investment	Beneficial owner	254,844,804 *(Note 2)*	28.80%	16.64%	23.48%	14.72%
Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司)	Beneficial owner	100,000,000	11.29%	6.54%	9.21%	5.78%

Name of person/entity	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Domestic Shares *(Note 13)*	Approximate % in enlarged issued Shares *(Note 13)*
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)*	8.48%	4.90%	6.92%	4.34%
Ms. Wang Zengdi (王增娣女士)	Interest in controlled corporation	75,064,706 *(Note 3)*	8.48%	4.90%	6.92%	4.34%
Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司)	Beneficial owner	70,000,000 *(Note 4)*	7.91%	4.57%	6.45%	4.04%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 *(Note 4)*	7.91%	4.57%	6.45%	4.04%
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心)	Beneficial owner	54,077,941 *(Note 5)*	6.11%	3.53%	4.98%	3.12%
Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司)	Interest in controlled corporation	54,077,941 *(Note 5)*	6.11%	3.53%	4.98%	3.12%
Ms. Jin Rongfei (金嶸霏女士)	Beneficial owner	50,000,000 *(Note 6)*	5.65%	3.27%	4.61%	2.89%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	2.26%	1.31%	1.84%	1.16%
Mr. Zhang Jiandong (張建東先生)	Beneficial owner	20,000,000 *(Note 7)*	2.26%	1.31%	1.84%	1.16%
Shanghai Hongzhen Ningshang	Beneficial owner	18,500,000 *(Note 2)*	2.08%	1.21%	1.71%	1.07%
Shanghai Maokou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	2.08%	1.21%	1.71%	1.07%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	1.24%	0.71%	1.01%	0.63%

Interests in the H Shares (long positions):

Name of person/entity	Capacity	Number of H Shares *(Note 8)*	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 13)*
Huang Li Hou (黃李厚)	Beneficial owner	85,100,000	13.18%	5.56%	4.92%
Ms. Chen Wei (陳瑋女士)	Beneficial owner and interest in controlled corporation	73,492,000 *(Note 9)*	11.38%	4.80%	4.25%
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	73,347,000 *(Note 9)*	11.36%	4.79%	4.24%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Interest in controlled corporation	73,347,000 *(Note 9)*	11.36%	4.79%	4.24%
Zeal Warrior Investments Limited	Interest in controlled corporation	73,347,000 *(Note 9)*	11.36%	4.79%	4.24%
Ms. Sun Xiangjun (孫湘君女士)	Spouse interest and interest in controlled corporation	46,071,000 *(Note 11)*	7.13%	3.01%	2.66%
Clear Renown Global Limited (朗譽環球有限公司)	Beneficial owner	42,000,000 *(Note 10)*	6.50%	2.74%	2.43%
Huang Wei Wen (黃偉汶)	Interest in controlled corporation	42,000,000 *(Note 10)*	6.50%	2.74%	2.43%
Guotai Junan Financial	Issuer of investment products	36,300,000 *(Note 11)*	5.62%	2.37%	2.10%
Guotai Junan International	Interest in controlled corporation	36,300,000 *(Note 11)*	5.62%	2.37%	2.10%
Guotai Junan Holdings	Interest in controlled corporation	36,300,000 *(Note 11)*	5.62%	2.37%	2.10%
Guotai Junan Securities	Interest in controlled corporation	36,300,000 *(Note 11)*	5.62%	2.37%	2.10%
Zhongrong International	Investment manager	36,300,000 *(Note 11)*	5.62%	2.37%	2.10%
Gaoxiang Investment	Beneficial owner	36,300,000 *(Note 11)*	5.62%	2.37%	2.10%

Interests in the H Shares (short positions):

Name of person/entity	Capacity	Number of underlying H Shares *(Note 8)*	Approximate % in total issued H Shares	Approximate % in total issued Shares	Approximate % in enlarged issued Shares *(Note 13)*
Guotai Junan Financial	Issuer of unlisted and cash settled derivatives	36,300,000 *(Note 12)*	5.62%	2.37%	2.10%
Guotai Junan International	Interest in controlled corporation	36,300,000 *(Note 12)*	5.62%	2.37%	2.10%
Guotai Junan Holdings	Interest in controlled corporation	36,300,000 *(Note 12)*	5.62%	2.37%	2.10%
Guotai Junan Securities	Interest in controlled corporation	36,300,000 *(Note 12)*	5.62%	2.37%	2.10%
Zhongrong International	Investment manager	36,300,000 *(Note 12)*	5.62%	2.37%	2.10%
Gaoxiang Investment	Beneficial owner	36,300,000 *(Note 12)*	5.62%	2.37%	2.10%
Ms. Sun Xiangjun (孫湘君女士)	Interest in controlled corporation	36,300,000 *(Note 12)*	5.62%	2.37%	2.10%

Notes:

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

2. 189,844,804 Domestic Shares are held by and 65,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Gaoxiang Investment, which is beneficially owned by 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 273,344,804 Domestic Shares.

3. 75,064,706 Domestic Shares are held by Shenzhen Huitai Investment Development Co., Ltd.* (深圳市匯泰投資發展有限公司), which is beneficially owned by as to 60% by Ms. Wang Zengdi (王增娣女士). By virtue of the SFO, Ms. Wang Zengdi is deemed to be interested in the same 75,064,706 Domestic Shares.

4. 70,000,000 Domestic Shares are held by Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司), which is beneficially owned as to 50% by Mr. Wang Yun (王贇先生). By virtue of the SFO, Mr. Wang Yun is deemed to be interested in the same 70,000,000 Domestic Shares.

5. 54,077,941 Domestic Shares are held by Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心) ("**Beijing Holdings**"). By virtue of the SFO, Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司), which holds more than one third of voting rights of Beijing Holdings, is deemed to be interested in the same 54,077,941 Domestic Shares.

6. 50,000,000 Domestic Shares are to be issued and allotted under specific mandate (more particularly described in the circular of the Company dated 2 February 2018) to Ms. Jin Rongfei (金嶸霏女士).

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

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

9. 145,000 H Shares are held by Ms. Chen Wei (陳瑋女士) who is beneficial owner of Zeal Warrior Investments Limited ("**Zeal Warrior**"). 73,347,000 H Shares are held by Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司), which is beneficially owned by Oceanic Bliss Holdings Limited (海祥控股有限公司) ("**Oceanic Bliss**"), and Oceanic Bliss is beneficially owned by Zeal Warrior. By virtue of the SFO, each of Ms. Chen Wei, Oceanic Bliss and Zeal Warrior is deemed to be interested in the same 73,347,000 H Shares.

10. 42,000,000 H Shares are held by Clear Renown Global Limited (朗譽環球有限公司), which is beneficially owned by Huang Wei Wen (黃偉汶). By virtue of the SFO, Huang Wei Wen is deemed to be interested in the same 42,000,000 H Shares.

11. 9,771,000 H Shares are held by Mr. Chen Ji. 36,300,000 H Shares are held in investment products issued by Guotai Junan Financial, which is beneficially owned by Guotai Junan International. Guotai Junan International is beneficially owned as to 65.74% by Guotai Junan Holdings, which is beneficially owned by Guotai Junan Securities. Zhongrong International, an investment manager of Gaoxiang Investment, holds such investment products issued by Guotai Junan Financial, and Gaoxiang Investment is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. By virtue of the SFO, Ms. Sun Xiangjun is deemed to be interested in the same 46,071,000 H Shares, and each of Guotai Junan International, Guotai Junan Holdings, Guotai Junan Securities, Zhongrong International and Gaoxiang Investment is deemed to be interested in the same 36,300,000 H Shares.

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

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

Saved as disclosed above, as at the Latest Practicable Date, the Directors, Supervisors and chief executives of the Company were not aware of any other person/entity (other than the Directors, the Supervisors or chief executives of the Company) who/which had an interest or a short position in the shares or underlying shares of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

1. the Agreement;

2. the subscription agreement dated 10 October 2017 entered into between the Company and Gaoxiang Investment in relation to the subscription of 65,000,000 Domestic Shares; and

3. the subscription agreement dated 10 October 2017 entered into between the Company and Mr. Xiao in relation to the subscription of 65,000,000 Domestic Shares.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advices which is contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Confucius International CPA Limited	Certified public accountants
PSA (HK) Surveyors Limited	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts:

(a) was interested beneficially or otherwise in any Shares or securities in any of subsidiaries or associated corporations (within the meaning of Part XV of the SFO) of the Company;

(b) had any rights, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or securities in any of subsidiaries or associated corporations of the Company; and

(c) had any interests, either direct or indirect, in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to the Company.

9. MISCELLANEOUS

(a) The registered office of the Company is situated at No. 25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China.

(b) The principal place of business of the Company in Hong Kong is at Room B, 16th Floor, Yam Tze Commercial Building, 23 Thomson Road, Wanchai, Hong Kong.

(c) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Hopewell Centre, 17M Floor, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Lun Ka Chun. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

(e) The compliance officer of the Company is Mr. Xiao Bing.

10. AUDIT COMMITTEE

The Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also reviews and discusses matters related to financial reporting, internal control, audit and performs other duties as assigned by the Board, and reports its work, findings and recommendations to the Board after each meeting in respect of the above matters as well as to the operating risks faced by the Group. As at the Latest Practicable Date, the Audit Committee consisted of two independent non-executive Directors, Professor Shi Ping (師萍教授) and Professor Lei Zhenya (雷振亞教授), and a non-executive Director, Ms. Huang Jing (黃婧女士). Brief biographies of the members of the audit committee are set out below:

Professor Shi Ping (師萍教授), aged 70, holds a doctoral degree and Chinese Certified Public Accountant qualification. Professor Shi served as a professor and doctoral tutor of School of Economics and Management at Northwestern University* (西北大學) since November 1985. The main social positions of Professor Shi included assessor of National Natural Science Foundation of China* (國家自然科學基金), executive director of Accounting Society of Shaanxi Province* (陝西會計學會), vice president of Shaanxi Cost Accounting Researching Association* (陝西成本研究會), advisor of Xi'an Accounting Society* (西安市會計學會), member of Shaanxi Province Senior Accountant (Including Senior Accountant) Assessment Committee* (陝西省高級會計師(含正高級會計師)評委會), member of Shaanxi Province Senior Auditor Assessment Committee* (陝西省高級審計師評委會), member of Shaanxi Province Senior Economist Assessment Committee* (陝西省高級經濟師評委會), independent director of Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司), independent director of Guangyuyuan Chinese Medicine Co., Ltd.* (廣譽遠中藥股份有限公司), and independent director of Xi'an Hongsheng Technology Co., Ltd.* (西安宏盛科技發展股份有限公司). Professor Shi was an independent Supervisor from 11 October 2002 to 28 June 2013, and was appointed as an independent non-executive Director with effect from 13 April 2015.

Professor Lei Zhenya (雷振亞教授), aged 58, 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, stayed to carry out work in the microwave teaching and research section after graduation and obtained master degree in the research of microwave circuit and engineering, target characteristics and stealth confrontation in 1999. Professor Lei obtained tiles of technician, assistant engineer, engineer, senior engineer and professor in 1981, 1983, 1989, 1997 and 2007 respectively and served as supervisor of the microwave laboratory, deputy supervisor of the microwave teaching and research section, and head of the microwave research institute since 1988. Professor Lei is currently head of the microwave research institute, School of Electronic Engineering, Xidian University and supervisor of the Microwave and Radio Wave Propagation Committee of The Electronics Institute of Shaanxi Province* (陝西省電子學會微波與電波傳播專業委員會). Professor Lei published 11 textbooks and monographs, announced more than 60 papers, undertaken more than 50 scientific research, obtained 4 provincial and ministerial awards, and 6 national defence patents and invention patents.

Ms. Huang Jing (黃婧女士), aged 35, obtained Bachelor of Laws from Zhejiang Sci-Tech University* (浙江理工大學) in 2006. Ms. Huang worked for Shanghai Florin Investment Management Co., Ltd.* (上海豐瑞投資集團有限公司) as senior manager of legal department from December 2006 to March 2008. Since March 2008, she joined Shanghai Hui Da Feng Law Firm* (上海市匯達豐律師事務所) as paralegal and trainee solicitor and became lawyer and partner. Ms. Huang was securities affairs representative of Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司), a company listed on The Shanghai Stock Exchange, from May 2011 to January 2014. Ms. Huang was appointed as director of Zhejiang Xinlian Co., Ltd.* (浙江信聯股份有限公司) on 2 March 2015. Ms. Huang was an independent Supervisor from 28 June 2013 to 13 February 2015, and was appointed as an independent non-executive Director with effect from 13 February 2015.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at Loeb & Loeb LLP at 21/F., CCB Tower, 3 Connaught Road Central, Hong Kong within 14 days from the date of this circular:

(a) the Articles of Association;

(b) the Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(e) the annual reports of the Company for each of the two financial years ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;

(f) the accountants' report of Suzhou Haitian, the text of which is set out in Appendix II to this circular;

(g) the report on unaudited pro forma combined statement of assets and liabilities of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the Valuation Report;

(i) the material contracts referred to in the section headed "Material contracts" in this Appendix;

(j) the written consents of experts referred to in the section headed "Experts and consents" of this Appendix; and

(k) this circular.

西安海天天綫科技股份有限公司
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*

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

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

(Stock Code: 8227)

NOTICE OF H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN the class meeting (the "**H Shareholders Class Meeting**") for holders of the overseas listed foreign invested shares (the "**H Shares**") of Xi'an Haitian Antenna Technologies Co., Ltd.* (the "**Company**") will be held at Conference Room, Level 3, No.25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China (the "**PRC**") on 9 December 2019 at 2:30 p.m. for the purpose of considering, and if thought fit, with or without modifications, passing the following resolution as a special resolution of the Company. Capitalised terms defined in the circular dated 25 October 2019 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified.

SPECIAL RESOLUTION

"**THAT:**

(A) the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(B) the Board be and is hereby authorised to make changes or amendments to the Agreement as it may in its absolute discretion deem fit, to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder;

(C) the Board be and is hereby granted a specific mandate to allot and issue the Consideration Shares pursuant to the Agreement;

* *for identification purposes only*

(D) contingent on the Board resolving to issue the Consideration Shares pursuant to paragraph (c) of this resolution, the Board be authorised to:

(i) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of the Consideration Shares;

(ii) increase the registered capital of the Company in accordance with the actual increase of capital by issuing the Consideration Shares pursuant to paragraph (c) of this resolution, register the increased registered capital with the relevant authorities and make such amendments to the Articles of Association as it thinks fit so as to reflect the increase in the registered capital of the Company; and

(iii) make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities.''

Order of the Board
Xi'an Haitian Antenna Technologies Co., Ltd.*
Xiao Bing
Chairman

Xi'an, the PRC, 25 October 2019

Notes:

1. The register of members of H Shares will be closed from 9 November 2019 to 9 December 2019 (both days inclusive), during which period no transfer of shares of the Company can be registered.

2. Holders of H Shares whose names appear on the register of members of H Shares at the close of business on 8 November 2019 shall be entitled to attend and vote at the H Shareholders Class Meeting convened by the above notice and may appoint one or more proxies in writing to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.

3. A proxy form for the H Shareholders Class Meeting is herewith enclosed. In order to be valid, the proxy form must be deposited by hand or by post to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited no later than 24 hours before the time for holding the H Shareholders Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.

4. Shareholders or their proxies shall produce their identity documents when attending the H Shareholders Class Meeting.

* *for identification purposes only*

5. Shareholders who intend to attend the H Shareholders Class Meeting should complete and return the enclosed reply slip by hand or by post to the H Share registrar of the Company no later than 19 November 2019.

6. Shareholders or proxies attending the H Shareholders Class Meeting should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against a resolution. Abstention votes will not be regarded by the Company as having voting rights for the purpose of vote counts.

7. The address of the Company's H Share registrar is as follows:

   17M Floor,
   Hopewell Centre,
   183 Queen's Road East,
   Wan Chai,
   Hong Kong

西安海天天綫科技股份有限公司
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*

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

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

(Stock Code: 8227)

NOTICE OF DOMESTIC SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN the class meeting (the "**Domestic Shareholders Class Meeting**") for holders of the domestic shares (the "**Domestic Shares**") of Xi'an Haitian Antenna Technologies Co., Ltd.* (the "**Company**") will be held at Conference Room, Level 3, No.25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China (the "**PRC**") on 9 December 2019 at 2:45 p.m. (or as soon as the class meeting of the holders of H shares of the Company to be convened at the same date and place at 2:30 p.m. shall conclude or adjourn), for the purpose of considering, and if thought fit, with or without modifications, passing the following resolution as a special resolution of the Company. Capitalised terms defined in the circular dated 25 October 2019 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified.

SPECIAL RESOLUTION

"**THAT:**

(A) the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(B) the Board be and is hereby authorised to make changes or amendments to the Agreement as it may in its absolute discretion deem fit, to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder;

(C) the Board be and is hereby granted a specific mandate to allot and issue the Consideration Shares pursuant to the Agreement;

* *for identification purposes only*

(D) contingent on the Board resolving to issue the Consideration Shares pursuant to paragraph (c) of this resolution, the Board be authorised to:

(i) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of the Consideration Shares;

(ii) increase the registered capital of the Company in accordance with the actual increase of capital by issuing the Consideration Shares pursuant to paragraph (c) of this resolution, register the increased registered capital with the relevant authorities and make such amendments to the Articles of Association as it thinks fit so as to reflect the increase in the registered capital of the Company; and

(iii) make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities."

By Order of the Board
Xi'an Haitian Antenna Technologies Co., Ltd.*
Xiao Bing
Chairman

Xi'an, the PRC, 25 October 2019

Notes:

1. The register of members of Domestic Shares will be closed from 9 November 2019 to 9 December 2019 (both days inclusive), during which period no transfer of Domestic Shares can be registered.

2. Holders of Domestic Shares whose names appear on the register of members of Domestic Shares at the close of business on 8 November 2019 shall be entitled to attend and vote at the Domestic Shareholders Class Meeting convened by the above notice and may appoint one or more proxies in writing to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.

3. A proxy form for the Domestic Shareholders Class Meeting is herewith enclosed. In order to be valid, the proxy form must be deposited by hand or by post to the Company's head office no later than 24 hours before the time for holding the Domestic Shareholders Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.

4. Shareholders or their proxies shall produce their identity documents when attending the Domestic Shareholders Class Meeting.

5. Shareholders who intend to attend the Domestic Shareholders Class Meeting should complete and return the enclosed reply slip by hand or by post to the Company's head office no later than 19 November 2019.

* *for identification purposes only*

6. Shareholders or proxies attending the Domestic Shareholders Class Meeting should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against a resolution. Abstention votes will not be regarded by the Company as having voting rights for the purpose of vote counts.

7. The address of the Company's head office is as follows:

   No. 25 Shuoshi Road,
   Hi-tech Industrial Development Zone,
   Xi'an, Shaanxi Province,
   The People's Republic of China
   Post Code: 710119

西安海天天綫科技股份有限公司
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*

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

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

(Stock Code: 8227)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN an extraordinary general meeting (the "**EGM**") of Xi'an Haitian Antenna Technologies Co., Ltd.* (the "**Company**") will be held at Conference Room, Level 3, No.25 Shuoshi Road, Hi-tech Industrial Development Zone, Xi'an, Shaanxi Province, the People's Republic of China (the "**PRC**") on 9 December 2019 at 3:00 p.m. (or as soon as the class meeting of the holders of domestic shares of the Company to be convened at the same date and place at 2:45 p.m. shall conclude or adjourn), for the purpose of considering, and if thought fit, with or without modifications, passing the following resolution as a special resolution of the Company. Capitalised terms defined in the circular dated 25 October 2019 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified.

SPECIAL RESOLUTION

"**THAT:**

(A) the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(B) the Board be and is hereby authorised to make changes or amendments to the Agreement as it may in its absolute discretion deem fit, to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder;

(C) the Board be and is hereby granted a specific mandate to allot and issue the Consideration Shares pursuant to the Agreement;

(D) contingent on the Board resolving to issue the Consideration Shares pursuant to paragraph (c) of this resolution, the Board be authorised to:

* *for identification purposes only*

(i) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of the Consideration Shares;

(ii) increase the registered capital of the Company in accordance with the actual increase of capital by issuing the Consideration Shares pursuant to paragraph (c) of this resolution, register the increased registered capital with the relevant authorities and make such amendments to the Articles of Association as it thinks fit so as to reflect the increase in the registered capital of the Company; and

(iii) make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities."

By Order of the Board
Xi'an Haitian Antenna Technologies Co., Ltd.*
Xiao Bing
Chairman

Xi'an, the PRC, 25 October 2019

Notes:

1. The register of members of the Company will be closed from 9 November 2019 to 9 December 2019 (both days inclusive), during which period no transfer of shares of the Company can be registered.

2. Holders of domestic shares and H shares whose names appear on the register of members of the Company at the close of business on 8 November 2019 shall be entitled to attend and vote at the EGM convened by the above notice and may appoint one or more proxies in writing to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.

3. A proxy form for the EGM is herewith enclosed. In order to be valid, the proxy form must be deposited by hand or by post, for holders of H shares, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, and for holders of domestic shares, to the Company's head office, no later than 24 hours before the time for holding the EGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.

4. Shareholders or their proxies shall produce their identity documents when attending the EGM.

5. Shareholders who intend to attend the EGM should complete and return the enclosed reply slip by hand or by post, for holders of H shares, to the H share registrar of the Company and, for holders of domestic shares, to the Company's head office, no later than 19 November 2019.

6. Shareholders or proxies attending the EGM should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against a resolution. Abstention votes will not be regarded by the Company as having voting rights for the purpose of vote counts.

* *for identification purposes only*

7. The address of the Company's head office is as follows:

No. 25 Shuoshi Road,
Hi-tech Industrial Development Zone,
Xi'an, Shaanxi Province,
The People's Republic of China
Post Code: 710119

The address of the Company's H share registrar is as follows:

17M Floor,
Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong