



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

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

Annual Report
2023

* for identification purposes only

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xiao Bing (chairman)
Mr. Chen Ji (vice-chairman)

Non-Executive Directors

Mr. Li Wenqi
Mr. Sun Yikuan
Mr. Zuo Hong
Mr. Chen Ren (appointed on 3 April 2023)
Mr. Zhang Jun (resigned on 3 April 2023)

Independent Non-Executive Directors

Professor Shi Ping
Mr. Tu Jijun
Mr. Liu Lidong

MEMBERS OF AUDIT COMMITTEE

Professor Shi Ping (Chairman)
Mr. Liu Lidong
Mr. Zuo Hong

MEMBERS OF NOMINATION COMMITTEE

Mr. Tu Jijun (Chairman)
Professor Shi Ping
Mr. Zuo Hong

MEMBERS OF REMUNERATION COMMITTEE

Mr. Tu Jijun (Chairman)
Professor Shi Ping
Mr. Li Wenqi

COMPLIANCE OFFICER

Mr. Xiao Bing

COMPANY SECRETARY

Mr. Lee Kun Yin

AUTHORISED REPRESENTATIVES

Mr. Xiao Bing
Mr. Lee Kun Yin

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE

Mr. Lee Kun Yin

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

GEM STOCK CODE

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WEBSITE

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1 Connaught Place, Central
Hong Kong

AUDITOR

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

Bank of Ningxia

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

Changshu Rural Commercial Bank

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

ZheShang Bank

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

Bank Communication

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

Dear shareholders,

I am pleased to present the annual report of Xi'an Haitian Antenna Technologies Co., Ltd.* together with its subsidiaries (the "Group") for the year ended 31 December 2023 on behalf of the board of Directors (the "Board").

In 2023, domestic mobile communication operators decreased their investments in network development across all areas, and it is expected to maintain a gradual downward trend in the future, which has brought a great impact on the Group's performance in mobile communication products.

In response to the limited development of the mobile communication base station antenna market, the Group has begun to gradually adjust its strategy. First of all, to "seek progress while maintaining stability", the Group should actively advance projects that have won bids and are yet to be implemented, as well as projects that have won bids but have not yet been completed, while maintaining engagement in ongoing tenders with communication network operators, and proactively promoting further cooperation with operators, related mobile communication equipment manufacturers and other customers. Secondly, we should "promote stability through advancement". In view of the fact that the future network layout of mobile communication operators will gradually enter the optimization and improvement stage, the Group responded to the situation by researching and launching a series of high-gain, miniaturized metamaterial lens antenna products with high-rise building coverage for network coverage applications in various special complex scenarios such as communities and buildings to effectively improve weak coverage areas and enhance user experience in areas with large capacity and dense data traffic. At the same time, based on metamaterial lens technology, the Group has completed its applications in fields such as Wi-Fi and CPE. In particular, the invention of multi-stream omnidirectional lens antenna technology has provided new options for built-in router antennas and CPE antennas. By the "advancement" of increasing its product offerings, the "stability" of the Group's overall development has been facilitated, with a view to injecting new momentum into the Group's performance growth and reshaping new advantages.

Meanwhile, in terms of the sales of agricultural products business segment, building on the existing solid customer base, the Group has continuously improved the categories of agricultural and sideline products, actively expanded the network of partners, and implemented flexible marketing strategies when appropriate so as to secure the revenue stream of this business segment.

On behalf of the Board, I would like to express heartfelt gratitude to all customers, business partners and staff who are closely-related to the Group, and express my sincere thanks to our shareholders for their strong enduring support since our listing. To show our appreciation to all of you for your confidence and loyalty, the Group will be dedicated to reaping prominent returns for our investors.

Xiao Bing

Chairman

Xi'an, the PRC

28 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

Total Operating Income

Total operating income recorded for the year ended 31 December 2023 was approximately RMB13.09 million, representing approximately 64% of the total operating income for the same period of 2022.

In 2023, the overall development trend of the communication industry has been improving. Mobile communication operators' investment in computing power networks has increased significantly, while investment in communication network construction has declined, thus affecting the overall performance of the Group. In view of the above objective situation, based on the wide applicability of lens materials in different fields and scenarios, the Group has concentrated its existing resources on development of more types of metamaterial lens antenna products. The Group not only proactively promoted the implementation of the share of communication network operators' centralized procurement bids this year, but also continued to follow up on communication network operators' bidding projects and took various measures to promote more types of business cooperation.

Sales of antenna products and provision of related services

The operating income from the operating segment of sales of antenna products and provision of related services decreased from approximately RMB12.10 million for the same period of 2022 to approximately RMB7.73 million for the year, representing approximately 63% of the main business income of the Group. Affected by the reduced communication network investment by mobile communication operators, the production and business promotion of the Group's mobile communication products slowed down, which affected the overall performance of the Group.

Sales of agricultural products

The operating income from the operating segment of sales of agricultural products decreased from approximately RMB6.19 million last year to approximately RMB4.55 million for the year. The sales of agricultural products accounted for approximately 37% of the main business operating income of the Group. During the year, the Company has not resumed the operation of live chicken farming, and leased the existing facilities to other operators. At present, it only independently operates the sales of related by-products.

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

The segments of sales of underwater monitoring and related products and sales of aircraft products still provided technical support and after-sales services to existing customers. During the year, the two business segments did not record operating income.

Other business

Operating income from other businesses amounted to RMB810,000, with rental income from office properties occupied by the Group of approximately RMB600,000 during the year, and service income of approximately RMB210,000.

Gross Profit

Gross profit of approximately RMB2.06 million was recorded for the year with gross profit margin of approximately 16%, representing a decrease of 13% when compared to gross profit margin of approximately 29% in 2022. The decline in gross profit margin was mainly due to the decline in the selling prices of communication products.

Segment Performance

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

Selling expenses decreased from approximately RMB5.73 million last year to approximately RMB4.26 million for the year, due to the fact that metamaterial lens antenna products have been approved by mobile communication operators, resulting in a decrease in sales related testing fees and technical service fees, which were approximately RMB610,000 and RMB240,000, respectively.

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

Research and development expenses were approximately RMB5.66 million for the metamaterial lens antennas during the year, which were mainly for further improvement and advancement of the existing antenna products after considering the feedback from markets and customers. There were no material changes in the components of research and development expenses.

During the year, there was no significant impairment loss on receivables.

In respect of assets, there were signs of impairment on advanced payments for purchase of land and above-ground attachments due to the boundary issue and approximately RMB4.71 million was recognised as impairment loss during the year. Details of the basis of assessment are disclosed in note XVI.1.

Segment profit of approximately RMB270,000 was reported for the operating segment of sales of agricultural products. Segment losses of approximately RMB380,000 and approximately RMB200,000 were reported for the operating segments of sales of underwater monitoring and related products and sales of aircraft products respectively due to the fact that the Group did not carry out marketing and promotion activities during the year. Segment loss of approximately RMB30.52 million was reported for the operating segment of sales of antenna products and provision of related services as the production scale was still below the normal operating level of enlarged production capacity. The production capacity was not fully utilised because of further delay and time lag of procurement activities for the metamaterial lens antennas by major communication network operators.

Other Expenses, Expenditure, Gain and Income

Administrative expenses decreased from approximately RMB22.16 million last year to approximately RMB19.21 million for the year, representing a decrease of approximately 13%.

Total staff costs of the Group decreased from approximately RMB16.21 million last year to approximately RMB11.88 million for the year, mainly due to the relocation of the subsidiary Suzhou Haitian and the reduction of employees.

Financial expenses for the year were approximately RMB840,000, unchanged from last year. Approximately RMB750,000 were interest expenses for short-term borrowings and amortization interest expenses on right-of-use assets. Short-term bank borrowings of RMB4.77 million were raised to finance the operations by the end of 2023.

Approximately RMB100,000 was received from government authorities as grants, subsidies and rewards for product development and business operations.

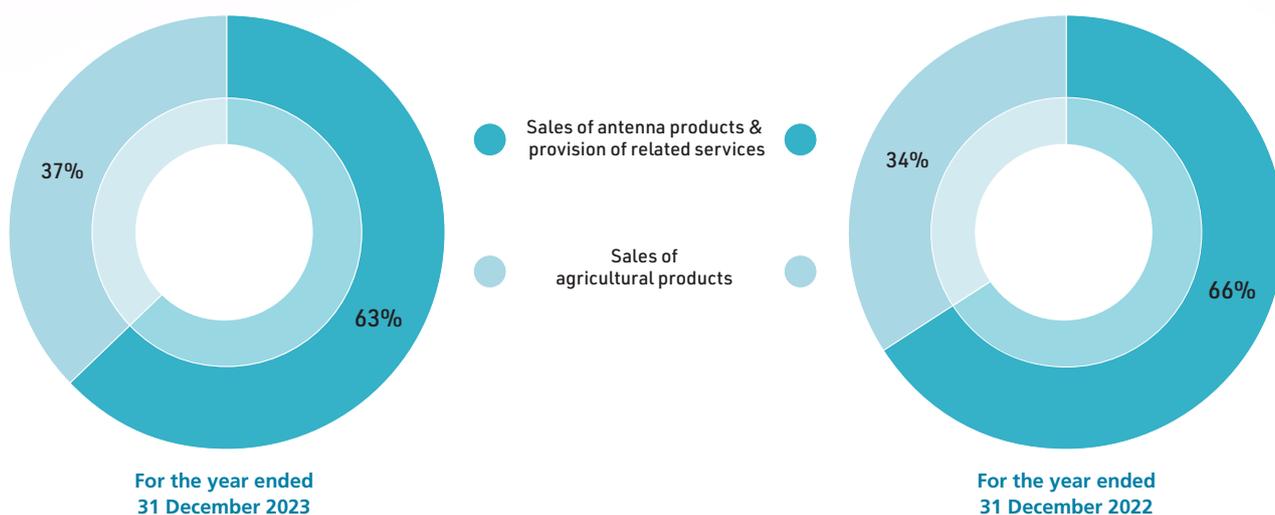
Management Discussion and Analysis

Net Loss

The net loss of the Group for the year amounted to approximately RMB42.99 million, representing an increase of approximately 42% from the net loss of approximately RMB30.27 million for 2022.

Net loss attributable to owners of the parent company was approximately RMB42.98 million after accounting for minority shareholders' profit and loss in respect of sales of agricultural products.

Composite of the Group's main business income by reportable and operating segments for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, are as follows:



PROSPECTS

In 2024, the Group will actively implement the development strategy of “seeking progress while maintaining stability and promoting stability through advancement”. In terms of mobile communication business, we will delve deeper into customer needs while maintaining existing market share. We will address customer needs with customized products, continuously improving product cost performance, expanding product offerings, and at the same time strengthening work in key markets to ensure the retention of premium customers and effectively increase market share.

In 2023, based on metamaterial lens antenna technology, the Group has successively developed and launched high gain and miniaturized series of metamaterial lens antenna products for mobile communication operators’ network optimization and blind spots supplement projects. They can be used in metamaterial lens antenna products in WiFi, CPE and other fields; they can cover the frequency of 5150-5850MHZ and are mainly used in high gain dual-polarized omnidirectional antenna of wireless bridge system. The above products have been put on insignificant sales in 2023, which is expected to be put on mass production in 2024, providing guarantees for the Group’s next development. In 2024, the Group will focus on marketing and sales of this type of products, making these products a new profit growth point for the Group and contributing to the Company’s performance and development.

Meanwhile, the Group will continue to proactively explore the application of “lens technology” in remote sensing technology, UAV data transmission, fire safety monitoring and other fields. On the one hand, it will continue to develop lens technology-based derivative products in the wireless communication field. On the other hand, the Company will also cooperate with enterprises in other cross-industry fields by providing lens technology and products to expand the Company’s customer base as much as possible and form a new growth driver for the performance of the Company.

Meanwhile, in 2024, the Group will continue to develop agricultural and sideline products-related businesses, striving to improve the performance of agricultural and sideline products, and fully fulfil the social responsibilities as a listed company through industrial poverty alleviation.

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

Management Discussion and Analysis

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2023, sales to the top five customers and the largest customer accounted for approximately 81.12% (2022: 75.59%) and 34.98% (2022: 28.68%) respectively of the Group's main business income.

For the year ended 31 December 2023, purchases from the top five suppliers and the largest supplier accounted for approximately 43.96% (2022: 47.24%) and 21.70% (2022: 23.74%) respectively of the Group's total purchases.

During the year ended 31 December 2023, each of the top five customers and the top five suppliers are independent of and not connected with any of the Directors, chief executives or any shareholders of the Company which, to the best knowledge of the Directors, own more than 5% of the Shares of the Company, or any of their respective associates.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by funds generated from operations, short-term borrowings, and lease liabilities under right-of-use assets. The short-term borrowings were mainly for daily operations and the lease liabilities were solely used for financing those assets and services under operating leases of the Group during the year. As at 31 December 2023, the Group had short-term borrowings of approximately RMB4.77 million which were repayable within one year, and the lease liabilities of approximately RMB450,000 which were classified in accordance with the lease terms.

During the year, the interest-bearing borrowings bore interest rates ranging from 1% to 6% per annum and the lease liabilities bore interest rate of 7.13% per annum. The majority of debts for operations were denominated in RMB during the year. Details of policy in respect of interest rate risk and foreign exchange risk are disclosed in note X.1 to the financial statements, the Directors consider that exposure to interest rate risk and foreign exchange risk was minimal.

As at 31 December 2023, the gearing ratio of the Group was approximately -46.59% (2022: 139.66%), which is calculated based on the sum of total interest-bearing borrowings and lease liabilities over the total shareholders' equity attributable to the parent company. Details of changes in equity of the Group are disclosed in the consolidated statement of changes in shareholders' equity of the annual report and the structure of share capital is disclosed in note V.25 to the financial statements.

Cash and cash equivalents decreased approximately from RMB2.19 million to RMB1.99 million. As at 31 December 2023, bank deposits of approximately RMB0.24 million were regarded as margin account and restricted account funds for operations and liabilities of the Group.

FOREIGN EXCHANGE EXPOSURE

Since the majority of the transactions of the Group are denominated in RMB, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review. The Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities. Details of policy in respect of foreign exchange risk are disclosed in note X.1 to the financial statements, the Directors consider that exposure to foreign exchange risk was minimal.

SIGNIFICANT INVESTMENT HELD

Except for interests in subsidiaries disclosed in notes VIII.1 to the financial statements, the Group did not hold any significant investment for the year ended 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraph headed “Significant Investment Held” above, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and affiliated companies during the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 56 (2022: 113) full-time employees. Total staff costs for the year 2023 amounted to approximately RMB11.88 million (2022: RMB16.21 million), including remuneration of the Directors and members of the supervisory committee (the “Supervisors”). All employees of the Group are eligible to participate in the defined contribution retirement schemes required by the law. The Group reviews employee remuneration from time to time and the increments in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance. Bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group has not granted any share options to the Directors and its employees. A comprehensive career development programme is launched for all employees, which provides diversified part-time training opportunities in accordance with the needs of their positions and specialties. Details of remuneration of the Directors, Supervisors and senior management by band are disclosed in note XII.5 to the financial statements.

CHARGES ON GROUP ASSETS

As at 31 December 2023, except for bank deposits of approximately RMB0.24 million regarded as margin account and restricted account funds, no other assets of the Group were pledged for its operations and liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2023, the Group had no material capital expenditure contracted for but not provided in the consolidated financial statements.

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

CONTINGENT LIABILITIES

As at 31 December 2023, except for those disclosed in note XIV to the financial statements, the Group did not have any material contingent liabilities.

UTILISATION OF NET PROCEEDS FROM EQUITY FUND RAISING ACTIVITIES

For the year ended 31 December 2023, there was no utilisation of net proceeds from equity fund raising activities.

Corporate Governance Report

The board of directors (the “Directors”) of Xi’an Haitian Antenna Technologies Co., Ltd. (the “Company”) (the “Board”) is pleased to present this corporate governance report for the year ended 31 December 2023 in accordance with Rule 18.44(2) of the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to uphold high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Company recognises the importance of corporate transparency and accountability. The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Board reviews the Company’s corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

During the year ended 31 December 2023 and up to the date of this annual report, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the “Code”) contained in Appendix C1 of the GEM Listing Rules. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with any new Corporate Governance Code and align with the latest developments.

BOARD OF DIRECTORS

Composition and function

The composition of the Board reflects the necessary balance of skills, knowledge and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the Code, the Board has adopted a board diversity policy (the “Board Diversity Policy”). The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience, diversity of perspectives and time commitment appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. Every newly appointed Board member has received a comprehensive, formal and tailored induction on appointment.

Members of the Board comprise experts from diverse business and professional backgrounds who have served relevant PRC government organisations, listed companies, multinational or other organisations. All members of the Board have many years of experience in investment, business operation, financial management and corporate administration. The current composition of the Board is considered to be a reasonable balance between executive and non-executive Directors, and be able to provide adequate checks for safeguarding the interests of shareholders of the Company.

As at 31 December 2023, the Board comprised nine Directors including Mr. Xiao Bing (chairman) and Mr. Chen Ji (vice-chairman) as executive Directors, Mr. Li Wenqi, Mr. Sun Yikuan, Mr. Zuo Hong and Mr. Chen Ren as non-executive Directors, and Professor Shi Ping, Mr. Tu Jijun and Mr. Liu Lidong as independent non-executive directors. During the year, Mr. Chen Ren was appointed as a non-executive Director of the Company on 3 April 2023, replacing Mr. Zhang Jun. Biographies of the Directors are set out in the paragraph headed “Directors, Supervisors and Senior Management” of this annual report. In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing at least one-third of the board and at least one of whom has appropriate professional qualifications, accounting or related financial management expertise.

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

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

Pursuant to code provision E.1.9 of the CG Code, the Company generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence. The independent non-executive Directors were not granted any equity-based remuneration up to the date of this annual report.

The Board is responsible for overseeing the preparation of accounts of each financial period, which shall give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. It is also responsible for formulating the Group’s long-term strategy and supervising the management to ensure thorough implementation of the Group’s policies and effective performance of their duties. Also, the Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company’s policies and practices on corporate governance and compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of the Directors and senior management, and reviewing the Company’s compliance with the code provision in the Code and disclosures in this report. During the financial year ended 31 December 2023, the Board has performed the corporate governance duties set out in the Code.

Delegation by the Board

The management, consisting of executive Directors along with other senior management, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time and conducting the day-to-day operations of the Group. Executive Directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where the management should report back and obtain prior approval before implementation, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The separate roles of chairman and chief executive officer

For the financial year ended 31 December 2023, the Company did not have a chief executive officer. The day-to-day management of the Group’s business was handled by the executive Directors of the Company collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group’s present business operations. The Board continually reviews the effectiveness of the Group’s corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Corporate Governance Report

Board meetings and attendance

The Board meets at least quarterly and additional meetings are held as and when required. Between scheduled meetings, the Directors are provided with information on the activities and development in the businesses of the Group in a timely manner to keep them abreast of the Group's latest developments. For all the board meetings, reasonable notice is generally given. Agenda and meeting materials for each meeting are normally circulated to all Directors at least 2 days before each Board meeting in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. During the financial year ended 31 December 2023, the Board held 11 meetings.

During regular meetings of the board, either in person or by means of electronic communication, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results, as well as discuss and decide on other significant matters. The Chairman also held meetings with the independent non-executive Directors without the presence of other Directors. The independent non-executive Directors are encouraged to provide their independent views to the Board.

The Company Secretary is responsible to the board for providing with board papers and related materials, for ensuring that all board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and the board on governance matters. All Directors have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

Details of Directors' attendance records in 2023 are as follow:

	Number of board meeting attended/Total	Number of general meeting attended/Total
Executive Directors		
Mr. Xiao Bing	11/11	1/1
Mr. Chen Ji	11/11	1/1
Non-Executive Directors		
Mr. Li Wenqi	11/11	1/1
Mr. Sun Yikuan	11/11	1/1
Mr. Zuo Hong	11/11	1/1
Mr. Chen Ren (appointed on 3 April 2023)	10/10	1/1
Mr. Zhang Jun (resigned on 3 April 2023)	1/1	N/A
Independent Non-Executive Directors		
Professor Shi Ping	11/11	1/1
Mr. Tu Jijun	11/11	1/1
Mr. Liu Lidong	11/11	1/1

Continuous professional development

All Directors are required to participate in continuous professional development to develop and refresh their knowledge and skills. Each newly appointed Director is given formal, comprehensive and customised induction training at the time of first appointment to ensure their proper understanding of the Group’s business and operations. The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her roles, functions, duties and responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. Up to the date of this annual report, all Directors have confirmed to the Company that they have participated in continuous professional development by self-study and/or attending seminars, conferences and webcast, reading material, newspapers and journals on topics related to corporate governance and regulations, the economy, the company’s business or directors’ duties and responsibilities.

A summary of training received by the Directors during the financial year ended 2023 according to the records provided by the Directors is as follows:

	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Xiao Bing	✓
Mr. Chen Ji	✓
Non-Executive Directors	
Mr. Li Wenqi	✓
Mr. Sun Yikuan	✓
Mr. Zuo Hong	✓
Mr. Chen Ren (appointed on 3 April 2023)	✓
Mr. Zhang Jun (resigned on 3 April 2023)	✓
Independent Non-Executive Directors	
Professor Shi Ping	✓
Mr. Tu Jijun	✓
Mr. Liu Lidong	✓

Code of conduct for securities transactions by Directors

The Company adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company has made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors from the year under review to the date of this annual report.

Independence

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

Board Diversity

The Board believes that gender diversity is a manifestation of board diversity, among all other measurable objectives. Under the revised Rule 17.104 of the GEM Listing Rules that came into effect on 1 January 2022, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. During the year ended 31 December 2023, the Board comprises one female director and eight male directors. The Company will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

Corporate Governance Report

The Group recognises the importance of diversity and has a diverse workforce in terms of gender, providing a variety of ideas and levels of competency that contribute to the Group's success. In the hiring process, the Company takes into account a number of measurable factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional specialisation, experience, skills, knowledge and other qualifications. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates. As at 31 December 2023, the gender ratio of the Group's workforce is 68% male and 32% female.

The Group is determined to maintain gender diversity and equality in terms of the whole workforce and requests the senior management team to improve gender equality in terms of the gender ratio within a medium-term time frame. The Company expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for.

BOARD COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three committees, namely the remuneration committee, the nomination committee and the audit committee, in order to maintain high standard of corporate governance of the Company.

Overall, the Board considers the recruitment strategy adopted by the Group is effective and adequate. In determining the independence of Directors, the Board follows the requirements as set out in the GEM Listing Rules.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in December 2005 with written terms of reference in compliance with Rule 5.34 to 5.36 of the GEM Listing Rules and paragraph E.1 of the CG Code. Please refer to the announcement of the Company dated 1 February 2023 for an updated version of terms of reference of the Remuneration Committee. As at the date of this annual report, the Remuneration Committee consists of three members, majority of which being independent non-executive Directors. Currently, the Chairman of the committee is Mr. Tu Jijun, an independent non-executive Director, and other members include Professor Shi Ping and Mr. Li Wenqi.

The Remuneration Committee has adopted the model as described in the Code Provision E.1.2 and is responsible, among others, to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee has the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management. Remuneration including benefits in kind, pension rights and compensation payments, basic salary and performance bonus of the executive Directors and senior management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance, profitability, goals and objectives, as well as industry practice. The committee also discusses with the chairman about the remuneration proposals for other executive Directors and ensures that no Director is involved in deciding his or her own remuneration.

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

The Remuneration Committee held 1 meeting in 2023 and was attended by committee members. The individual attendance record of each member is as follows:

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

During the financial year ended 2023, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

The Company established a Nomination Committee in December 2005 with written terms of reference in compliance with paragraph 5.36A of the GEM Listing Rule and B.3 of the CG Code. As at the date of this annual report, the Nomination Committee consists of three members, majority of which being independent non-executive Directors. Currently, the chairman of the committee is Mr. Tu Jijun, an independent non-executive Director, and other members include Professor Shi Ping and Mr. Zuo Hong.

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

The Company believes that the board diversity policy is a key element for the Company to maintain sound corporate governance and sustainable development while achieving strategic objectives and enhancing decision-making capability at the same time. The Company considers that the concept of diversity incorporates a number of different aspects and measurable objectives, such as professional experience, business perspectives, independence, skills and knowledge, gender, age, cultural and educational background.

The Nomination Committee held 1 meeting in 2023 and was attended by committee members for the selection and recommendation of candidates for directorship having regard to the relevance of skills and experience appropriate to the Group’s business. The individual attendance record of each member is as follows:

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

During the financial year ended 2023, the Nomination Committee has, amongst other things, determined the policy for the nomination of Directors and adopted the nomination procedures and the process and criteria under the Board Diversity Policy to select and recommend candidates for directorship during the year.

AUDIT COMMITTEE

The Company established an Audit Committee in April 2003 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph D.3 of the CG Code. As at the date of this annual report, the Audit Committee is currently chaired by, an independent non-executive Director, Professor Shi Ping and the other members are Mr. Liu Lidong and Mr. Zuo Hong, with the majority being independent non-executive Directors.

The Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also reviews and discusses matters related to the effectiveness of financial reporting, internal control and audit, and performs other duties as assigned by the Board, and reports its work, findings and recommendations to the Board after each meeting in respect of the above matters as well as the operating risks faced by the Group. The Audit Committee has to recommend the appointment, reappointment and removal, approve the remuneration and terms of engagement, review and monitor the independence, objectivity, resignation and dismissal of the external auditor, and maintain sufficient communication and discuss the nature and scope of the audit with the external auditor.

Corporate Governance Report

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

The Company has complied with Rules 5.05(2) and 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee held 4 meetings in 2023 and the individual attendance record of each member is as follows:

	Number of meeting attended/Total
Non-Executive Director	
Mr. Zuo Hong	4/4
Independent Non-Executive Directors	
Professor Shi Ping	4/4
Mr. Liu Lidong	4/4

During the financial year ended 2023, the Audit Committee has, amongst other things, reviewed the quarterly, half-yearly and annual results of the Company and reviewed risk management and internal control matters of the Company. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2023 which is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditor of the Company, SHINEWING Certified Public Accountants LLP ("Shinewing"), with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Auditor Report" in this Annual Report.

The Directors were aware that the Group's net profit for 2023 is RMB-42,993,598.60, and it continues to suffer losses; the net cash flow from operating activities is RMB-6,683,081.18; at of the end of 2023, the current liabilities were higher than the current assets by RMB55,666,342.98 and the balance of cash at bank and on hand was RMB1,991,322.95, and there are debts overdue.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the above conditions, the financial statements were prepared based on the assumption that the Group can be operated as a going concern.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of consolidated financial statements that give a true and fair view in accordance with the relevant accounting standards and the applicable disclosure requirements of the Listing Rules, the Hong Kong Companies Ordinance and other applicable regulatory requirements, and for such internal control as the Directors determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board is responsible for presenting balanced, clear and understandable annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided the Directors such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors have reviewed the Group's cash flow projections prepared by management based on estimations of future revenue, expected expenses, committed and planned capital expenditure and the availability of financing, which cover a period of twelve months from the reporting period end date. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and committed future capital expenditure within the next twelve months from the end of the current reporting period.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The Company engaged SHINEWING Certified Public Accountants LLP, as the external auditor for the year ended 31 December 2023. The fees paid and payable to Shinewing for audit services and other services amounted to RMB0 million and RMB0.59 million respectively. There was no other significant fee incurred for non audit services during the year ended 31 December 2023 (2022: Nil).

COMPANY SECRETARY

Mr. Lee Kun Yin was appointed as the company secretary of the Company on 20 January 2023 pursuant to Rule 5.14 of the GEM Listing Rules. Mr. Lee is a member of the Chartered Accountants in Australia & New Zealand and Hong Kong Institute of Certified Public Accountants. His primary contact person of the Company is Mr. Xiao Bing, an executive Director of the Company. Mr. Lee confirms that he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2023 and is in compliance with Rules 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Xiao Bing is the compliance officer of the for the year ended 31 December 2023. After the amendments to the GEM Listing Rules which took effect from 1 January 2024, the Company is no longer required to appoint a compliance officer under the GEM Listing Rules. As such, the Board has resolved to cancel the position of compliance officer with immediate effect. Please refer to the section headed "Directors, Supervisors and Senior Management" in this annual report for Mr. Xiao's biography.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year, the Group has complied with Principle D.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems.

DISSEMINATION OF INSIDE INFORMATION

The Group is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Group has adopted a Policy on Disclosure of inside information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure. Control procedures have also been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

SHAREHOLDERS' RIGHTS

Extraordinary general meeting may be convened by the Board on written requisition of shareholders holding 10% (including 10%) or more of the Company's issued and outstanding shares carrying voting rights pursuant to Article 64 of the articles of association of the Company. According to Article 66 of the articles of association of the Company, when the Company convenes an annual general meeting, shareholders holding 5% (including 5%) or more of the total voting shares of the Company, are entitled to propose new motions in writing to the Company and the Company shall place such motions on the agenda for such meeting if they are matters falling within the scope of duties of the general meeting. Shareholders may propose new motions at general meeting of the Company by sending the same to the Company at the registered office and principal place of business in the PRC of the Company and the principal place of business in Hong Kong of the Company.

Shareholders are, at any time, welcome to raise questions, proposals and request information (to the extent it is publicly available and appropriate to provide) from the Board and management by writing to:

Address: Room B, 16th Floor, Yam Tze Commercial Building, 23 Thomson Road, Wanchai, Hong Kong
Attention: Company Secretary
Email: info@xaht.com

Shareholders may direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Computershare Hong Kong Investor Services Limited

Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555

The Board has conducted an annual review of the implementation and effectiveness of the shareholders' communication policy of the Company, and considered that the policy was implemented effectively during the Reporting Period.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to shareholders of the Company in a timely manner. Members of the Board meet and communicate with shareholders at general meeting of the Company. The Chairman proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website on day of general meeting.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and shareholders. The Company has established several channels to communicate with shareholders as follows:

- corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the website of the Stock Exchange and on the website of the Company at www.xaht.com;
- periodic announcements are published on the websites of the Stock Exchange and the Company;
- corporate information is made available on the Company's website; and
- annual and extraordinary general meetings, if any, provide a forum for shareholders to make comments and exchange views with the Directors and senior management.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

The Company has reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 December 2023.

CONSTITUTIONAL DOCUMENTS

During the financial year ended 2023, the Shareholders have approved certain amendments to the Company's Articles of Association at the annual general meeting held on 28 June 2023. Please refer to the announcements of the Company dated 5 June 2023 and 28 June 2023 respectively for further information.

Except for the above, there were no other significant changes in the Company's Articles of Association which are available on both the GEM website and the Company's website.

WHISTLEBLOWING POLICY

In compliance with paragraph D.2.6 of the CG Code, the Company has put in place whistleblowing policy which applies to all the directors and employees (including but not limited to permanent, full-time, part-time and contract employees, etc.) of the Group and any parties who deal with the Group (including but not limited to investors, customers, contractors, suppliers, creditors and debtors, etc.). The policy is designed to provide the employees and any external parties with confidential whistleblowing channels to report to the Group the actual or suspected illegal activities and misconducts in financial reporting, internal control or other areas.

Corporate Governance Report

Whistle-blowers are able to contact the Board, senior management and/or their supervisors. The identity of the whistle-blower and all the concerns or irregularities raised will be treated as confidential and every effort will be made to ensure that confidentiality is maintained throughout the process.

The Board which is responsible for overseeing and monitoring the whistle-blowing policy and mechanism, will make decisions on further actions (if needed) while the Company is also committed to ensuring the protection of the whistle-blower against detrimental or unfair treatment.

ANTI-CORRUPTION POLICY

The Company does not tolerate any corruption, bribery, extortion, fraud or money laundering during the course of its business activities.

In compliance with paragraph D.2.7 of the CG Code, the Company has in place an anti-corruption and integrity promotion system within all its employees, which forms part of the Company's employees staff manual. Employees are required to act with integrity and to report any suspected bribery, corruptions and money laundering cases to senior management or the Board. The employees are required to declare any conflict of interest when performing their duties. The anti-corruption and integrity promotion system forms an integral part of the framework, outlining the Group's expectations and requirement of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

CONCLUSION

Going forward, the Company will continue to review its corporate governance practices on a timely basis to maintain its high level of transparency. The Company will also try to enhance its operating efficiency and competitiveness in order to generate greater returns for its stakeholders.

Environmental, Social and Governance Report

OVERVIEW

Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company", or together with its subsidiaries, the "Group" or "we") is pleased to present this Environmental, Social and Governance Report ("ESG Report"). This report discloses and outlines the significant environmental, social and governance ("ESG") policies and performance of the Group for the year ended 31 December 2023.

The Board of Directors (the "Board") of the Group is responsible for formulating the Group's overall ESG strategy, preparing reports, and implementing related management policies. By overseeing and reviewing the Group's analysis of sustainable development objectives, risks and opportunities, operational performance, and overall development strategy, the Board will develop action plans and allocate resources to help the Group achieve its policies and goals. The Board also assumes responsibility for managing and improving sustainable development performance.

The Group has been concentrating on the development of mobile communication products and services while developing various types of marine engineering, aviation and other equipment. The Group was established in October 1999, owns more than 60 patented technologies, and has developed more than 400 types of antenna-related communication products on its own, which are widely used in mobile communication networks across the country.

The Group has built up a complete operating system that integrates product development, production, sales, installation and services, and fully understands the importance of independent R&D and innovation. The Group's innovative efforts and achievements in this area have been highly recognised by the State, as such the Group has undertaken a number of key scientific research projects for various government agencies by virtue of our industry leading technology, which earned us the title as one of the first "Innovative Enterprises" certified in China and its shares listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2003 to meet the needs for future development.

The Group believes that prudent management of environmental and social issues is one of the key factors for long-term success. To better understand the risks and opportunities for environmental protection, the Group ensures it complies with the requirements of regulatory authorities through an efficient operation management, policies and procedures as well as setting achievable targets, efficient energy measures and waste treatment.

Reporting Principles and Scope

This Report discloses the principles, strategies, objectives and overall performance of the Company's principal businesses in respect of environmental, social and governance reporting. In addition, the Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix C2 to the Rules Governing the Listing of Securities on the GEM Board of HKEX. The Report has been prepared in full compliance with the mandatory disclosure requirements and "Comply or explain" provisions stipulated in the Guide and has been approved by the Board of the Group.

Unless otherwise stated, the ESG Report covers the overall performance, risks, strategies, measures and commitment of the Group's business operations in the PRC and Hong Kong from 1 January 2023 to 31 December 2023 (the "Reporting Period").

For the Group's corporate governance structure and other relevant information, please refer to the corporate governance report on pages 10 to 20 of this annual report.

Stakeholders' Feedback

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

Postal address: Room B, 16th Floor, Yam Tze Commercial Building, 23 Thomson Road, Wanchai, Hong Kong

Email: info@xaht.com

Environmental, Social and Governance Report

Outlook of The Group

It is the Group's aim to invest more manpower and resources in sustainable development, including resources efficiency and carbon reduction, to protect our planet. We will create a humanized and high-quality working environment for employees and ensure product safety and quality in the production process while the Group is committed to complying with all the applicable laws, regulations and standards, and operating under the principle of corporate sustainability and in an ethical, honest and transparent manner.

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

Reporting Principles

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

Reporting principles	Interpretation
Materiality	Identify important environmental and social issues by analyzing the opinions of stakeholders of the Group, and prioritize and disclose important issues in the Report. The Board also conducts internal meetings to analyse and identify material ESG issues. Material issues are disclosed in the Report.
Quantitative	The Group calculates the key performance indicators ("KPIs") with reference to "Appendix 2: Reporting Guidance on Environmental KPIs" and "Appendix 3: Reporting Guidance on Social KPIs" of "How to Prepare an ESG Report" published by HKEX and discloses them in a quantitative manner where appropriate.
Balance	The Report aims to disclose data in an objective and impartial way, which aims to provide stakeholders with a balance overview of the Group's overall ESG performance.
Consistency	This report aims to comply with the environmental, social, and governance reporting guidelines outlined in Appendix C2 of the Listing Rules of the Hong Kong Stock Exchange's GEM. It has made efforts to use consistent evaluation and calculation methods as in previous years to ensure that the disclosed data is comparable and can serve as a basis for ongoing monitoring.

Report Publication

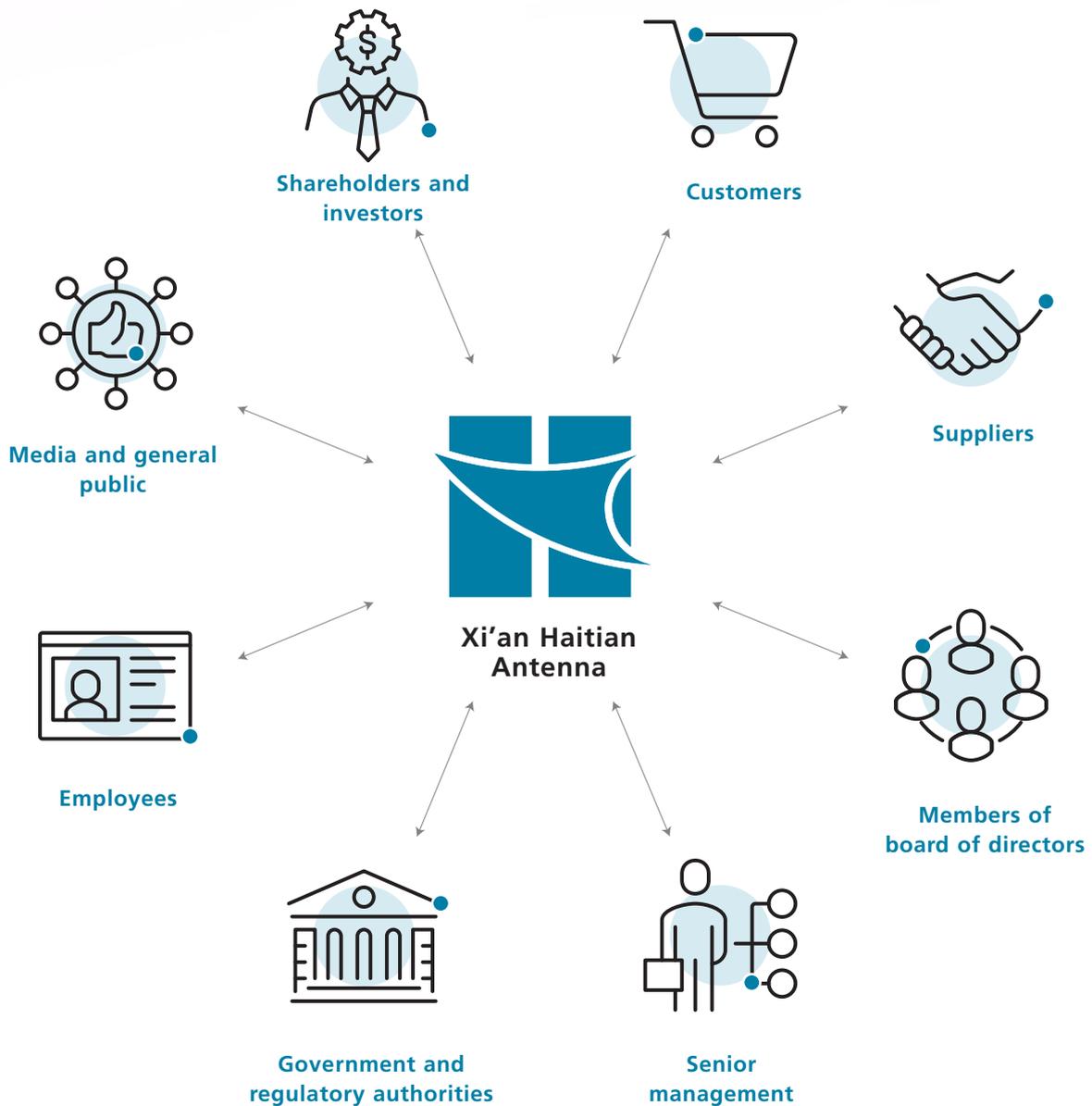
The Report is published in both Chinese and English. It is uploaded to the HKEX's website and the Company's official website (www.xaht.com). Should there be any discrepancy between the Chinese and English versions, the English version shall prevail.

Reporting Boundary

In order to preserve a meaningful comparison, there was no material change to the methods of KPIs used by the Group in the years ended 31 December 2022 and 31 December 2023. The Group did not have any reporting boundaries of the ESG Group.

Stakeholder Engagement

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



Environmental, Social and Governance Report

	Relevant groups	Concerns	Communications and responses
Internal stakeholders	Employees	<ul style="list-style-type: none"> • Overall operating results of the Company; • Compliance during daily operation; • Remuneration, promotion and reward/punishment system, and imparity; and • Talent training system and personal development prospects. 	<ul style="list-style-type: none"> • Regular meetings and management communication; • Employee suggestion forms; • Field trip; and • Job performance evaluation
	Senior management	<ul style="list-style-type: none"> • Economic benefits of the Company; • Production and operation management; • Comprehensiveness of governance system; • Risk management; and • Investment opportunities in the sector and development potential of the Company. 	<ul style="list-style-type: none"> • Regular meetings with executive directors; and • Job performance evaluation
	Members of board of directors	<ul style="list-style-type: none"> • Strategic planning and its effectiveness and sustainability; and • Comprehensiveness and effectiveness of financial and internal control system. 	<ul style="list-style-type: none"> • Regular meetings and/or conference calls between board members

	Relevant groups	Concerns	Communications and responses
External stakeholders	Shareholders and investors	<ul style="list-style-type: none"> • Financial condition and operating profitability of the Company; • Operational condition, market and industry changes; and • Interest of shareholder and investors. 	<ul style="list-style-type: none"> • Annual general meeting; • Announcements and circulars; • Email or mail; and • Financial reports
	Customers	<ul style="list-style-type: none"> • Production technology and product quality of the Company; • Service quality and commitment of the Company; and • Operational stability of the Company. 	<ul style="list-style-type: none"> • Announcements and website of the Company; • Customer service channels; and • Customer Satisfaction Surveys
	Suppliers	<ul style="list-style-type: none"> • Production technology and product quality of the Company; and • Operational stability of the Company. 	<ul style="list-style-type: none"> • Website of the Company; • Regular review of suppliers; • Supplier management meetings and events; and • Supplier Selection
	Government and regulatory authorities	<ul style="list-style-type: none"> • Compliance of the Company's operation; • Exercise in capital market and its compliance; and • Economic value and benefits. 	<ul style="list-style-type: none"> • Interaction and visits; • Government inspections; • Tax returns and other information; and • Rules and guidelines published by regulatory authorities
	Media and general public	<ul style="list-style-type: none"> • Environmental protection policies; and • Compliance of the Company's operation. 	<ul style="list-style-type: none"> • Company's website; • Shareholders' meetings; and • Issue of financial reports

Opinion Collection Channels

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

Environmental, Social and Governance Report

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

After collecting internal and stakeholders' views and opinions, executive directors will carry out materiality assessments internally with the related managers and externally with related stakeholders through various means. The Group continues to assign a board member and duty managers to constantly communicate with its stakeholders under the established channels in order to gain insights on ESG material aspects in 2023 Reporting Period.

BOARD INVOLVEMENT

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

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

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

MATERIALITY ASSESSMENT

The Group has identified 16 ESG issues material to its operation through consistent communication with stakeholders and Board discussions. The Group has conducted an internal materiality assessment during the Reporting Period. ESG material issues were identified and ranked considering the operation conditions of the Group, opinions from stakeholders, ESG material issues of the industry mentioned in Sustainability Accounting Standards Board (SASB) and ESG material issues identified by peer companies. The identified material issues are strictly managed by adopting relevant policies and guidelines and will be disclosed in a focused manner in the Report.

Material Issues	Materiality
Environment	
1. Client Change	Most Important
2. Emissions Control	Most Important
3. Waste Management	Most Important
4. Environment and Natural Resources	Important
5. Green Office	Important
Employment	
6. Remuneration and Benefit	Most Important
7. Recruitment and related Policies	Most Important
8. Health and Safety	Most Important
9. Development and Training	Important
Operation	
10. Anti-corruption	Most Important
11. Procurement Policy	Most Important
12. Product Responsibility	Most Important
13. Protection of Privacy and Intellectual Property	Important
14. Data Protection	Important
15. Whistle Blowing Policy	Important
Community	
16. Corporate Social Responsibility and Community Investment	Important

Environmental, Social and Governance Report

ENVIRONMENTAL ASPECT

As a socially responsible corporate, the Group fully recognises its responsibility for environmental protection and is committed to sustainable operations. To achieve low-carbon and sustainable business operations, we continually strive to enhance resource efficiency and are dedicated to minimising our environmental impact. The Group strictly abides by relevant national laws and regulations, and has also formulated internal environmental protection policies with reference to the relevant guidelines and standards, including the "Procedures for Environmental Elements Identification and Evaluation", "Environmental Operation Control Procedures", "Procedures for Environmental Monitoring and Measurement Control", "Extracts of the Major Environmental Laws and Regulations Involving Haitiantian Antenna", "Waste Management System in Waste Area" and "Copier Repair and Waste Toner Management System" Waste Management System in Waste Area Copier Repair and Waste Toner Management System, and ensures that its employees strictly comply with such codes.

The Group hopes to encourage its employees to make good use of resources, develop energy conservation habits, reduce our impact on the environment and protect the environment through the implementation of the aforementioned environmental protection policies and codes. In addition, to reinforce the implementation of relevant environmental measures, the Group has a clear division of labour amongst various departments, whereby the administration department is responsible for the overall environmental control. It monitors the implementation of different environmental measures, including energy consumption, and sets up relevant reward initiatives.

Although the Group does not generate significant emissions, the Group formulates relevant internal guidelines, strictly complies with all local environmental laws and regulations, and manages emissions generated from and resource use in our business activities to minimize environmental impact to the greatest extent.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Emissions and Wastes

Air Pollution

The Group strictly complies with relevant national laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Air Pollution Control Ordinance, Waste Disposal Ordinance, Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Environmental Impact Assessment (中華人民共和國環境影響評價法), Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定) and other relevant regulations promulgated by the government and applicable to the Group. In addition, we have passed the quality control system ISO19001: 2016 standard certification, which proves that we meet the requirements of relevant laws. We comply with the secondary standards of the Ambient Air Quality Standards (環境空氣質量標準) (GB3095-2012) for air quality management in the general working environment. The Group does not discharge any material air pollutants during its production process.

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

Hazardous and Non-hazardous Waste

The Group is aware that improper disposal of waste will cause serious damage to the environment and affect the ecology. The Group implements stringent guidelines in this regard. We strictly comply with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), the Circular Economy Promotion Law of the People's Republic of China (中華人民共和國循環經濟促進法), Waste Disposal Ordinance (Cap.354 of the Laws of Hong Kong) and other relevant laws and regulations. According to the Waste Management System of Waste Area (廢品區廢棄物管理制度) and Management System of Photocopier Repair and Waste Toner (影印機修理及廢棄墨粉管理制度), the Group adopts relevant measures to prevent environmental pollution during the use and disposal of electronic solid waste and other wastes. We do not dispose of and throw out any solid waste irresponsibly. We abide by the principle of taking resources in a right way, while making efforts to reduce waste generation. On the other hand, we actively look for ways to reuse waste resources to make the best use of them. There is no significant hazardous waste generated during the Company's daily operations.

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

1. Encourage the reuse of functioning electronic devices;
2. Certain officers are assigned to procure computers and other electronic devices are bought based on their quality, to ensure a longer lifespan of products and a lower damage to the environment;
3. Invite specialized officers to teach other employees about the proper use of these electronic products to minimise damage arising from inappropriate use and thus the electronic waste;
4. Used computers, electronic products and waste batteries, cartridges, and consumables generated in our daily operations which will cause environmental pollution will be recycled by competent companies with a "Certificate of Disposal of Waste Electrical and Electronic Products" according to the requirements of the Interim Provisions on the Discharge of Industrial Solid Waste in the Hightech Zone; and
5. If it is to be cleared by individuals, we will request the contractors to sign a Guarantee on Waste Disposal, which clearly states where the waste will go, so as to prevent environmental pollution.

For the other solid waste, we require:

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

Sewage Discharge

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

Environmental, Social and Governance Report

Use of Resources

Green Office

The Group deeply understands that effective resources management is conducive to environmental protection and is closely related to the sustainable development goals of the Company. We actively enhance our energy efficiency, promote green office and energy conservation and emission reduction, while requiring our employees in all departments to strictly comply with the requirements of the "Regulations on Electricity Conservation Management", "Power Safety Management System" in daily work, the "Administrative Regulations for Office Supplies Requisition" in handling their requests for office supplies and paper consumption and "Safe Electricity Management System" implementation, aiming to continuously improve our energy efficiency management. We require our employees to take conservation of resources seriously and uphold the environmental protection idea. Meanwhile, in order to tackle potential energy supply issues during daily operation, the Group proactively optimises its energy protection and prevents suspension of energy supply. Meanwhile, we strive to promote environmental awareness by identifying and assessing potential environmental risks and making efforts to reduce resource consumption, with the following specific measures:

- i. Encouraging employees to develop the good habit of switching off all electronic equipment, separating, recycling and reusing of waste before leaving after work;
- ii. Regulating our employees' use of office appliances under the principle of "switch it up only when you need to use it, put it idle when you don't, and shut it down after work", so as to reduce energy consumption at idle;
- iii. Reducing the use of unnecessary lighting in public area under adequate sunlight, and employing energy conserving lighting system;
- iv. Using a timer to control our lighting system in summer and winter, respectively;
- v. Regulating our employees' water usage so as to avoid waste;
- vi. Maximizing paperless office operation, with information transmission through the network;
- vii. Encouraging double-sided printing as well as waste paper recycling; and
- viii. Performing regular inspection and maintenance on our equipment, improving the energy-consuming devices inside to ensure efficient operation.

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

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

The Environment and Natural Resources

Human beings rely on the ecosystem services provided by nature. Therefore, it is important to protect biodiversity and the ecosystem. We pay full attention to the environmental impact and consumption of natural resources created by production processes. We have established, and have been following and maintaining an efficient environmental management system, which advocates environmental protection practices in a number of areas:

- i. Strictly complying with relevant environmental laws and regulations while continuing to improve our environmental system;
- ii. Reducing the use of equipment with higher energy consumption and using energy-efficient electronic equipment during daily operation;
- iii. Adopting green procurement and reusing resources as allowed;
- iv. Improving production techniques, adopting green production such as lowering emission of exhaust gas and treating wastewater;
- v. Minimising noise pollution during production by selecting low-noise equipment, implementing effective noise cancelling measures through improving production techniques; and
- vi. Separating waste from daily operation into hazardous and non-hazardous waste, increasing the waste recycling rate to reduce damage to the environment.

Moreover, the Group hopes that environmental protection can be subtly integrated into the lives of our employees. In addition to stringent compliance with relevant environmental laws and regulations, the Group organizes environmental knowledge training on a regular basis, such as knowledge contest and other fun and relaxing activities, while participating in and organising outdoor green events, to promote self-monitoring and self-reflection on environmental protection, as well as raising the awareness.

During the Reporting Period, the Group did not have any non-compliance with environmental laws and regulations related to waste gas and greenhouse gas emissions, water and land discharge, and generate hazardous or non-hazardous pollutants that have a significant impact on the Group.

Climate Change

The Group fully understands the importance of identifying and responding to significant climate risks, and proactively manages potential climate risks that may impact the Group's business. We have established risk management policies in identifying and mitigating various risks, especially the climate change related risks. To develop appropriate risk response strategies, the Board also holds regular meetings to maintain close communication and cooperation with senior management to explicitly identify and assess climate-related risks.

We have also identified climate change-related risks and opportunities that may affect our business operations by reviewing internal policies, analysing current business conditions, stakeholder engagement, and studying relevant government policies.

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

Environmental, Social and Governance Report

Risks and Actions

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

Physical Risks	Potential Impacts	Actions
Increasing frequency and severity of extreme weather events caused by climate change.	Damage to power grids and communication infrastructure, causing employee injuries, business interruptions, reduced production capacity and productivity of the Group, or exposing the Group to risks associated with non-performance and delayed performance.	The Group adopts flexible work arrangements and precautionary measures under adverse or extreme weather conditions.
Transition Risks	Potential Impacts	Actions
Climate regulations and rules will become increasingly stringent with higher requirements for climate-related information disclosure.	Increasingly stringent environmental laws and regulations will increase the Group's compliance costs and may even expose the Group to higher risks of claims and lawsuits for failure to comply with relevant laws and regulations. Failure to meet climate change compliance requirements will increase the Group's relevant capital investment and compliance costs, as well as affect the Company's reputation.	To respond to policy and legal risks as well as reputation risks, the Group regularly monitors existing and emerging climate-related trends, policies and regulations, and prepares to alert top management when necessary, in order to avoid increased costs, fines for violations and/or reputation risks due to delayed response.

Environmental KPI

Emission type	Unit	2023	2022
Air emissions			
Nitrogen oxides (NOx)	kg	25.73	22.51
Sulphur oxides (SOx)		0.33	0.63
Particulate matters (PM)		0.14	1.59
Greenhouse gas emissions			
Total greenhouse gas emissions (scope 1 and scope 2)	kg (equivalent of carbon dioxide)	194,945.13	399,936.06
Scope 1 – Direct emissions		17,008.67	80,711.52
Scope 2 – Indirect emissions		177,936.46	319,224.54
Intensity	kg/income in RMB million	25,235.09	33,058.38
Hazardous waste			
Total hazardous waste	kg	6.55	12.57
Intensity	kg/income in RMB million	0.85	1.04
Non-hazardous waste			
Total non-hazardous waste	kg	9,055.40	18,369.21
Intensity	kg/income in RMB million	1,172.20	1,518.38

Summary of Resources Consumption Data

Type of resources consumption	Unit	2023	2022
Energy consumption			
Total energy consumption	kWh	350,509.09	800,083.57
Electricity	kWh	292,182.90	523,662.26
Fuel oil	kWh	58,276.19	276,301.31
Natural gas	kWh	50.00	120.00
Intensity	kWh/income in RMB million	45,372.40	66,134.24
Paper			
	kg	220.00	454.03
Packaging materials			
Total packaging materials	kg	20,210.00	22,104.00
Plastic	kg	225.00	188.00
Corrugated papers	kg	19,985.00	21,916.00
Intensity	kg/income in RMB million	2,616.13	1,827.10
Water			
Total water consumption	m ³	3,992.00	4,829.00
Intensity	m ³ /income in RMB million	516.75	399.16

Environmental, Social and Governance Report

SOCIAL ASPECT

Employment

As at 31 December 2023, the Group employed 56 employees. With the “people-oriented” concept, we are committed to providing our employees with a work environment that is free from discrimination against gender, age, nation, sexual orientation, family status, race or religion, and with a place where our employees feel accepted, cared and respected. The Group respects the laws in the areas where its people are employed, including the Employment Ordinance in Hong Kong, Labour Law of the People’s Republic of China (中華人民共和國勞動法), Civil Code of the People’s Republic of China (中華人民共和國民法典), Regulation on Labour Security Supervision (勞動保障監察條例) and the Labour Basic Standard Law (勞動基準法) of the People’s Republic of China, and formulates its own employment and labour practices in accordance with the industrial practices, which are detailed in the Employee Handbook, aiming to regulate the employee’s behaviour and responsibilities and ensure they are treated fairly. During the Reporting Period, the Group was not involved in any illegal activities in relation to its employment which had a significant impact on it.

Remuneration and Benefit

We have a well-maintained compensation management system to ensure that all our employees can enjoy the remuneration, benefits and welfare, including minimum salary, vacation, compensation for termination and other benefits. We also provide suitable amount of subsidies for their daily communication and business trips.

The Group makes social insurance contributions for employees in accordance with the relevant laws and regulations. Pursuant to the Mandatory Provident Fund Schemes Ordinance, we make regular contributions for eligible employees in Hong Kong. Employees of the Group’s subsidiaries in Mainland China are required to participate in the state-managed retirement benefit scheme operated by the PRC government.

In addition to basic statutory holidays, employees are entitled to paid annual leave, marriage leave, maternity leave, paternity leave, and sick leave, etc. Although the Group emphasises work efficiency and does not encourage employees to work overtime under normal circumstances, they may work overtime as appropriate according to work requirements.

Recruitment and Promotion Policy

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

Equal Opportunity and Diversity Policy

The Group strives to reinforce its human resource management. Through strengthening human strategy, building talent nurturing system, together with the promotion of corporate culture, we aim to improve our systems. The Group determines employees' salary, benefits and promotion based upon their job nature, experience, work performance, financial results and market condition. The Group guarantees fair treatment of employees and prevent discrimination based on gender, race, religion, age, marital and family status, disability or any other grounds. To attract and hire outstanding talents, we adhere to ethical standards, knowledge, ability, experience and physical fitness as recruitment criteria, and are committed to the principles of fairness, equality, and openness.

Dismissal Policy

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

- i. Unsatisfactory performance of an employee for a prolonged period of time, or his/her capability and skills do not meet the required level of the respective position so that he/she cannot perform the job duties;
- ii. Serious violation of laws and regulations and employment policies to the level that he or she should be dismissed; and
- iii. Objective condition where the company is not able to subsist.

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

Environmental, Social and Governance Report

Employee turnover rate:

Category		2023	2022
Rate of employee turnover (Note 1)		63.91%	14.29%
Gender (Note 2)	Male	30.77%	20.69%
	Female	105.26%	13.33%
Age group (Note 2)		2023	2022
	Age 20-29	93.33%	66.67%
	Age 30-39	52.63%	3.70%
	Age 40-49	75.36%	6.12%
	Age 50-59	200.00%	75.00%
Geographical region (Note 2)		2023	2022
	Mainland China	62.72%	14.29%

Note 1: The calculation method of the turnover rate in the year: the number of employees leaving employment in the year \div ((the number of employees at the beginning of the year + the number of employees at the end of the year) \div 2) \times 100%.

Note 2: The calculation method of the turnover rate by category in the year: the number of employees leaving employment in the category in the year \div ((the number of employees in the category at the beginning of the year + the number of employees in the category at the end of the year) \div 2) \times 100%.

Communication with Employees and Corporate Culture

We highly value employee opinions, for which we have set up diversified channels between the management and our employees to listen earnestly to the suggestions and ideas of all employees and facilitate communication between them and enhance their efficiency in this aspect. We hold in high regard the employees' understanding of the corporate culture. We aspire, through turning the corporate culture into actions from philosophy, creating a concrete idea from abstract concept, and exploring oral and written forms, to raising employees' comprehension of our corporate culture, thereby strengthening their sense of belonging. To strengthen connections between employees and promote work-life balance, the Group has arranged a series of corporate and social activities for employees to enhance corporate culture and their sense of belonging. During the Reporting Period, the Group organised various corporate activities and team-building dinners, providing good opportunities for all employees to relax and communicate.

Summary of Employee Data

		2023	2022
Total number of staff		56	113
Gender	Male	38	55
	Female	18	58
Employment type	Full time	52	110
	Part time	4	3
Age group	Age below 30	4	11
	Age 30-39	14	24
	Age 40-49	22	47
	Age 50-59	12	25
	Age over 60	4	6
Geographical region	Mainland China	55	110
	Hong Kong	1	3

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare that would have a significant impact on the Group.

Health and Safety

The Group attaches great importance to the promotion of the concept of health and safety, and we always put our employees' health and safety in the first place as always. The Group formulated, in strict compliance with the relevant provisions of Production Safety Law of the People's Republic of China (中華人民共和國安全生產法), Labour Law of the People's Republic of China (中華人民共和國勞動法) and Occupational Safety and Health Ordinance (Cap.509 of the Laws of Hong Kong) and a series of internal guidelines to standardise its daily operations, eliminate potential safety hazards and protect its employees' safety, including the "Safety Training System", "Safety Inspection System" and "Hidden Hazards Screening System".

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

To prevent accidents, we closely monitor the safety indicators in the working environment, regularly check the machines and related operating procedures to ensure that all safety rules are obeyed. We have also put in place adequate fire extinguishers and first aid packages, and organised all kinds of occupational safety training sessions whereby we urge employees to learn all necessary safety knowledges and launch safety drills, including education on fire prevention and emergency response, equipment operation and fire drills. We will continue to upgrade our safety facilities and review the relevant safety rules from time to time. If any safety hazards are found, our employees and supervisors must report immediately to the management and take remedial measures to prevent accidents.

Environmental, Social and Governance Report

We understand the increasing concern from employees and the society over work pressure and potential problems and the balance between work and life is very important to employees. Hence, we proactively care about our employees, so as to achieve pleasant mental health. The Group promotes the enriched and colourful lifestyle as we regularly organises and encourages its employees to participate in various kinds of activities that can promote their awareness of health, including dinner gatherings, long-distance running, basketball competition and other outdoor and social events. We hope to enhance their enthusiasm, understanding with each other, and thus the cohesiveness, so as to create an agreeable working atmosphere.

To ensure employees' occupational health and safety, the Group has implemented a number of work safety measures such as (a) ensure sufficient space between workstations and clean public areas such as corridors and pantries; (b) arrange professional service providers for regular cleaning; (c) maintain adequate ventilation and lighting systems in the offices; (d) prohibit smoking and alcohol abuse at the workplace; and (e) install various fire-fighting facilities in offices.

In the past three years (including the Reporting Period), the Group has not recorded any work-related fatalities or serious bodily injuries. In addition, during the Reporting Period, the Group did not have any claims or compensation to employees for work-related injuries or fatalities, and was not aware of any material violations of laws and regulations relating to employee health and safety.

Development and Training

The Group firmly believes that providing employees with proper and adequate training is crucial, as it will not only improve their job performance and product quality, but will also inspire work potential and promote team spirit. We pay attention to the training and improvement of employees' abilities, knowledge and skills and strive to promote their long-term career development. We have a comprehensive, diverse career development programme to ensure employees to be adept at professional skills and bolster their quality and better adapt to the change in business environment, so that the overall capacity of the company will be enhanced. The Company employs first-class related professional institutions to provide training for staff, including Nanjing China Quality Mark Certification Group (Jiangsu) Co., Ltd.* (南京方圓標誌認證集團江蘇有限公司), Changshu Emergency Management Bureau, Accounting Continuing Education Platform of Jiangsu Province, etc. The training programmes cover knowledge-based, skill, mental trainings, as well as integrated quality assessment:

- i. Induction training: organising employee induction talk from time to time, inviting officers as speakers and allowing employees to acquire knowledge, such as operational management and development planning, which is relevant to their respective positions and understand the company policy and corporate culture;
- ii. Skill training: providing skill enhancement training from time to time to let employees become adept at job skills, in order to enhance their work efficiency and overall benefits of the Company. These training sessions are grouped into "internal trainings" and "external trainings" and the Group will pay for external courses;
- iii. Mental training: through launching various exchange events to fill employees with trust and develop interpersonal relationship and complete their personal characters, with a view to enhance work efficiency by improving psychological quality; and
- iv. Integrated quality assessment: regularly organising integrated quality assessment by forms of oral and written tests and practical operation, to ensure that employees have a deep understanding of corporate culture and enhance their job skills, as well as improving their overall quality.

Employees Training Hours:

Category			2023	2022
Total number of employees trained		Number of people	44	98
Trained employees as a percentage of total number of employees		Percentage	78.57	88.29
Gender	Male	Percentage	68.42	88.24
	Female	Percentage	100.00	87.93
Employee category	Executives	Percentage	87.50	92.86
	Others	Percentage	77.08	87.23
Gender	Male	Average number of hours	37	38
	Female	Average number of hours	51	52
Employee category	Executives	Average number of hours	33	34
	Others	Average number of hours	47	48

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

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

Internal Development

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

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

Environmental, Social and Governance Report

Prohibition of Forced Labour and Child Labour

The Group strictly prohibits the child labour and forced labour, and complies with the local relevant laws and regulations, including but not limited to Labour Law of the People's Republic of China (中華人民共和國勞動法), Labour Contract Law of the People's Republic of China (中華人民共和國勞動契約法), Employment Ordinance (Cap. 57 of the Laws of Hong Kong), and Civil Code of the People's Republic of China (中華人民共和國民法典).

The Group strictly prohibits employment of children, swindle of child labour, forced child labour and other form of forced labour. When hiring people, we require the applicants to present their IDs and academic certificates, and other identity proving documents to ensure that we will not end up hiring child labour. We will also make sure there are no forced labour-related complaints by specifying the time and nature of work when signing the labour contracts with our employees. The Group will review and further improve its labour mechanism from time to time.

The Group also actively protects employees from any form of harassment or bullying at work. We hold a very high personal moral and ethical standard of employees. Through training and information sharing, together with a stringent behavioural guidelines, we monitor and prohibit and harassment and bullying among employees at or outside our workplace.

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

Supply Chain Management

The Group is concerned about the impact of its daily operations and products on the environment and society. We believe that proper supply chain management is essential for business sustainability and quality control. To achieve a sound supply chain management, we should start with controlling the quality of raw materials, and integrating viable environmental and financial practices into the entire supply chain cycle. Based on this theory, we have formulated our "Supplier Management System" and "Purchase Management System", aiming to maintain strict control over the supply chain. During the Reporting Period, the Group had approximately 25 suppliers, all of which are domestic suppliers.

Procurement Policy

Our "Purchase Management System" details our supplier selection criteria and identifies and evaluates the relevant risks. Generally speaking, we have established a competitive and transparent tendering and procurement process in order to achieve fairness and credibility, and prevent the suppliers from getting the contracts through bribery. We will invite 3-5 suppliers to make tenders for products or parts that we expect to procure, and select among them upon integrated examination of their costs, quality, qualifications and track records. Afterwards, we will communicate with the selected suppliers by phone or by site visit to perform procurement management and production inspection, in order to ensure that the Group is able to obtain supply of qualified products or parts. In case of non-compliance with operational laws or concerning production risks by our suppliers, we will replace with other suppliers pursuant to relevant system. In addition, to prevent conflicts of interest, employees and other individuals who have an interest in the relevant suppliers will not be allowed to participate in related procurement activities. During the Reporting Period, the Group has implemented the aforesaid measure on approximately 15 suppliers.

We are advocating a green and sustainable supply chain model, in which environmental protection concepts are considered from research and development to production. The Group carefully examines the qualifications of suppliers and their comprehensiveness in terms of environmental policies and systems when cooperating with them. The Group keeps a close eye on whether the suppliers had a history of significant violation of environmental laws during daily operation. We learn their operational environmental measures through investigations and site visit, and ensure that their materials meets required standards, so as to protect the Group's supply chain from creating substantial impact on the environment and natural resources.

The Group also emphasises the integrity of suppliers and partners. The Group only selects suppliers and partners with good past business records and no serious violations or unethical business conduct. The Group adopts zero tolerance for bribery and corruption and strictly prohibits suppliers and partners from obtaining procurement contracts or partnerships through any form of transfer of benefits.

Controlling Environmental and Social Risks

The Group proactively maintain close communication with suppliers. The Group will review existing suppliers' performance periodically. We resort to such measures as meetings and telephone calls to ensure that they are able to fulfil their contractual responsibilities while complying with the Group's criteria and national laws and regulations. In addition, the Group advocates the sustainable supply chain model, whereby our products are designed, researched and produced with consideration of environmental protection. We showcase the environmental quality of our products through online and offline promotion, including participation of international exhibitions and other business events, while also promoting our corporate culture and encouraging our suppliers to continue to improve and source suppliers with the same value to make contributions to economic, social and environmental sustainability. The Group will optimise its supply chain upon industry changes.

Suppliers are able to provide a reliable and stable source of materials to us because of the contribution of their employees. Therefore, their personnel management system and safe production standards are also vital. We want our suppliers to be people-oriented and maintain a safe production and regulated operation. The Group will examine their relevant mechanisms and protective measures from time to time. In summary, if any potential material issues arise with suppliers, the Group will take appropriate measures to change suppliers.

Product Responsibility

The top priority of a group is to ensure that customers are satisfied with our products and services. The Group strictly complies with the Product Quality Law of the People's Republic of China (中華人民共和國產品質量法), Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法), Patent Law of the People's Republic of China (華人民共和國專利法), Sale of Goods Ordinance (Cap.26 of the Laws of Hong Kong), Copyright Ordinance (Cap.528), Prevention of Copyright Piracy Ordinance (Cap.544), Personal Data (Privacy) Ordinance (Cap.486) and other all relevant regulations. We carefully select our raw materials for our commitment to environmental protection and energy saving, as we will never use and put in during production processes any substances which are harmful to the environment or human body. We carry out stringent quality control in each procedure from production to delivery; whilst assigning officers to strictly monitor our production processes, so that our production is performed with advanced technology from the country or overseas, and is in line with the relevant standards of the ISO19001: 2016 Quality Management System. We also assess the quality of our products and services based on the relevant national and industry standards. After the production is completed, our products will be sent to research centre for test by experts to ensure their safety and reliability meet the specified level. Taking our submarine products as an example, after the stereotype is finished, we will send it to the specific research institute for conducting several functional tests, so as to ensure that our products meet the quality and safety standards.

Environmental, Social and Governance Report

To ensure the continuous improvement of the quality control system, quality technology, and costs, our employees have the product quality assurance responsibilities such as (a) actively participate in various activities of the quality control system, implement the quality policy at work, and strive to achieve the company's quality objectives, continuously promote more efficient development of the quality system, while ensuring product quality, process capabilities and performance; (b) focus on customers, meet customer requirements, improve customer satisfaction, and exceed customer expectations; (c) implement the system documents to prevent any inconsistencies with the quality control system requirements; (d) encourage and support employees' innovative spirit; and (e) any improvement opportunities and other issues discovered by employees regarding the quality control system shall be promptly submitted to the Company through the prescribed channels.

During the Reporting Period, there were no significant complaints received regarding the Group's product quality and service delivery and significant complaints or compensation requests against us arising from the quality issue of the products of the Group.

Data Protection

The Group is committed to protecting the privacy of its customers, employees, business partners and suppliers by maintaining a safe and secure data environment. The Group complied with relevant laws and regulations by ensuring the highest standard of information security and protection. Employees are prohibited from disclosing the Group's business information to unauthorised parties. All personal and business data collected during the Group's business activities were organised and secured properly. Computers and servers were protected by access passwords, employees were instructed of their responsibility to follow the confidentiality code on the access to information and to ensure the safekeeping of all personal, customer and business data, trade secrets and proprietary information.

Understanding Customer's Expectation

The Group has always been customer-centric as their opinions are especially important to us in improving our service quality. We strive to be professional and maintain the highest level of professionalism. Shining the Company's image is of the same significance as being compassionate and respectful to our customers, giving them as much convenience and thought as possible. We have a professional customer service team and a perfect customer service workflow, which enables us to deliver satisfactory pre-sales, on-sales and after-sales services in all aspects. In order to obtain customer's feedback, our CS team visits the customers regularly to conduct quarterly surveys on customer satisfaction. For the questions raised by our customers, in addition to providing professional answers, we hold regular internal meetings to analyse and study their requirements, so as to continuously improve our product quality and service levels.

Handling of Complaint and Product Recall

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

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

Protection of Privacy and Intellectual Property

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

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

If the Company has developed the proprietary technologies or unique designs independently, we will submit the relevant application for patents and recognition of unique design to the competent authorities, so as to ensure that the intangible assets of the customers will not suffer any losses, and the Company's legitimate rights and interests are well protected.

To prevent any infringement (such as counterfeit trademarks), we closely monitor the infringement in the market and periodically review our intellectual property portfolios, including trademarks, designs and patents, around the world.

During the Reporting Period, there was no material infringement of the intellectual property rights, and the Group has taken reasonable measures to prevent any infringement of its own intellectual property rights and the intellectual property rights of third parties.

Anti-corruption

The Group adhered to its principles of operation of high integrity standard and actively responded to the call of the Chinese Government on fighting corruption, for which it has formulated a series of anti-corruption guidelines in accordance with the laws and regulations of the People's Republic of China, such as the Criminal Law of the People's Republic of China (中華人民共和國刑法), Company Law of the People's Republic of China (中華人民共和國公司法), Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法), Anti-Monopoly Law of the People's Republic of China (中華人民共和國反壟斷法), Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法), Prevention of Bribery Ordinance (Cap. 201 of Hong Kong Law) (防止賄賂條例), Competition Ordinance (Cap. 619 of the Laws of Hong Kong) and other applicable laws and regulations, and put them into active practice.

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To establish a clean and righteous corporate culture, we periodically invite the company lawyer to explain for our employees the common legal knowledge, whilst encouraging them to conduct self-learning of relevant laws and regulations and raising their awareness. In addition to requiring all our directors, senior executives and staff to comply with the laws and regulations when carrying out the real business and operations in capital market, we have given the Board of Directors greater responsibility, who, in addition to being responsible for the operation and management of the Company, are expected to raise reasonable doubts about any possible cases in which a conflict of interests or transfer of interests may occur, and for which the management must provide reasonable explanations.

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

In terms of finance and corporate governance, we strictly prevent the occurrence of illegal acts. All the members of the management must straighten their daily operations and management with the authority granted to them by the Board of Directors and in accordance with our internal control system, so as to eliminate corruption of any kind. We have set up an Audit Committee according to the Listing Rules and engage external lawyers and auditors to provide professional advice on the Company's financial reports and other compliance issues. Apart from complying with the corporate governance requirements of the Stock Exchange for listed companies, we have been constantly reviewing the effectiveness of our internal controls and enhancing our corporate governance.

Whistle-blowing Policy

To enhance our internal integrity culture, we have a well-maintained anonymous reporting mechanism to encourage our employees to report unlawful and dishonest conducts within the Company through e-mail, telephone and other written form, etc., and promise to provide the informants with adequate protection to ensure that employees who whistle-blow will not subject to unreasonable disciplinary action, unfair dismissal, or coercion. Upon receipt of a report, investigations and internal verification will be triggered with the case immediately reported to the management, regulatory agencies, Board of Directors and Audit Committee, who will then notify the government's law enforcement agencies. All necessary measures will be taken to punish and pursue employees, suppliers and business partners who violated the laws. Meanwhile, we will conduct a review on a case-by-case basis, and propose appropriate remedial measures if any loopholes are found.

With the continuous expansion of our business, we will further improve our anti-corruption mechanism, carry on the education on fighting corruption and strengthen our cooperation with external stakeholders such as the suppliers, partners and government agencies, aiming to continuously improve our internal control to stop any violation.

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Company and its employees while we did not spot any violations related to corruption, bribery, extortion, fraud, and money laundering, which had a significant impact on the Group. The Group has not found any significant risks and issues.

Community Investment

As a member of the community, an enterprise and the community are closely linked, and it is the great mission of an enterprise to increase social well-being. The Group pursues sustainable development and try its best to strike a balance between interest and responsibility. We proactively respond to the country's appeal to benefit the people. As to regions where the Group launches and operates its projects, the Group actively accommodates the local policy to boost economic development together. We hope to blend the project with the local community and actively participate in the local charity activities and take the social responsibilities. Employees are asked to improve personal quality and develop the civic-mindedness while we encourage employees to also take their social responsibilities to help the community. We champion the moral principle of dedication and appreciation, and aspire to cultivate personal work ethics and social moral quality through actions, for the purposes of self-improvement and giving back to the society.

Contribute to the National Work on Poverty Alleviation

In order to actively respond to the national poverty alleviation policy and fulfill the Group's social responsibility, the Group has set up Hailan Natural Agricultural Development Co., Ltd. (海蘭天然農業開發有限責任公司) with 51% equity interest in Yi County, Hebei Province, which is a territory included in the navy's fixed-point poverty alleviation village policy since 2016, to carry out the production and sales of agricultural products, mainly live chicken, chicken meat and related by-products, and established an agricultural product sales and operations department.

Going forward, the Group plans to extend its community engagement activities and find more ways of "giving back", by exploring how the Group can also contribute in non-financial ways, such as volunteering, school talks, and donating of used computer and office equipment.

Environmental, Social and Governance Report

INDEX OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE

This report is prepared in accordance with the ESG Guide. The following table provides an overview on the general disclosures and KPIs of various aspects under each subject area which has been cross-referenced below.

Subject Areas	Content	Section
A. Environmental Aspect		
A1 Emissions		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Air Pollution
A1.1	The types of emissions and respective emissions data	Environmental KPI
A1.2	Greenhouse gas emissions in total and intensity	Environmental KPI
A1.3	Total hazardous waste produced and intensity	Environmental KPI
A1.4	Total non-hazardous waste produced and intensity	Environmental KPI
A1.5	Description of measures to mitigate emissions and results achieved	Air Pollution, Hazardous and Non-hazardous Waste
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Hazardous and Non-hazardous Waste
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Use of Resources
A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental KPI
A2.2	Water consumption in total and intensity	Environmental KPI
A2.3	Description of energy use efficiency initiatives and results achieved	Air pollution and Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Sewage discharge
A2.5	Total packaging material used for finished products and with reference to per unit produced	Environmental KPI
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment and Natural Resources

Subject Areas	Content	Section
General Disclosure	Policies on identification of and response to significant climate-related issues which have impacted, and those which may impact, the issuer	Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Risk and Action
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment
B1.1	Total workforce by gender, employment type, age group and geographical region	Summary of Employment Data
B1.2	Employee turnover rate by gender, age group and geographical region	Dismissal policies
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety
B2.1	Number and rate of work-related fatalities	Health and Safety
B2.2	Lost days due to work injury	Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Health and Safety

Environmental, Social and Governance Report

Subject Areas	Content	Section
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training
B3.1	The percentage of employees trained by gender and employee category	Development and Training
B3.2	The average training hours completed per employee by gender and employee category	Development and Training
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Prohibition of Forced Labour and Child Labour
B4.1	Description of measures to review employment practices to avoid child and forced labour	Prohibition of Forced Labour and Child Labour
B4.2	Description of steps taken to eliminate such practices when discovered	Prohibition of Forced Labour and Child Labour
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply Chain Management
B5.1	Number of suppliers by geographical region	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Controlling Environmental and Social Risks
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Procurement Policy

Subject Areas	Content	Section
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	During the Reporting Period, no products were subject to recall due to safety and health concerns.
B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility During the Reporting Period, there were no significant complaints or compensation requests against us arising from the quality issue of the products of the Group.
B6.3	Description of practices relating to observing and protecting intellectual property rights	Protection of Privacy and Intellectual Property
B6.4	Description of quality assurance process and recall procedures	Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Protection of Privacy and Intellectual Property
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	Anti-corruption
B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored	Whistle-blowing Policy
B7.3	Description of anti-corruption training provided to directors and staff	Anti-corruption
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment
B8.1	Focus areas of contribution	Community Investment
B8.2	Resources contributed to the focus area	Community Investment

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Xiao Bing (肖兵先生), aged 58, is a son of Professor Xiao Liangyong, the founder of the Company. Mr. Xiao studied in radio technology under the Adult Education College of Xidian University* (西安電子科技大學) from 1984 to 1987 and obtained a Master of Business Administration from China Europe International Business School in 2006. He worked in Xi'an General Factory of Oil Instruments* (西安石油勘探儀器總廠) from 1987 to 1992, served as the manager of Xi'an Haitian Communications Equipment Factory* (西安海天通訊設備廠) from 1992 to 1999 and was the general manager of Xi'an Haitian Communications Equipment Company Limited* (西安海天通訊設備有限公司) from 1999 to 2000. Mr. Xiao joined the Group as an assistant to chairman of the Board since 1999, and was appointed as the general manager of the Company and elected as an executive Director since October 2000. Mr. Xiao was the chairman of the Board from August 2004 to November 2007 and from 31 December 2012 to 28 June 2016, was the vice chairman of the Board from 29 June 2016 to 31 December 2018, and has been the chairman of the Board since 1 January 2019.

Mr. Chen Ji (陳繼先生), aged 48, obtained a Bachelor of Economics from Shanghai University of Finance and Economics* (上海財經大學) in 1997, a Bachelor of Laws from East China University of Political Science and Law* (華東政法學院) in 2005, a Master of Business Administration from Shanghai University of Finance and Economics in 2008 and a Master of Laws from Fudan University* (復旦大學) in 2009. Mr. Chen has extensive experiences in finance, internal control and management. Mr. Chen worked for Air China Limited Shanghai Branch Office* (中國國際航空股份有限公司上海基地) as the office supervisor from July 1997 to August 2001. Mr. Chen served as a senior manager of finance department and a partner of Xinzhuo (China) Consulting Co., Ltd.* (信卓(中國)諮詢有限公司) from December 2003 to January 2006. He joined Shanghai Hui Da Feng Law Firm* (上海市滙達豐律師事務所) as a paralegal since February 2006 and became a lawyer and a partner, and was the founder partner of Shanghai Heng Lu Lawyers Alliance (Group) Firm* (上海恒律聯盟律師(集團)事務所) in October 2010. Mr. Chen was the vice-chairman of Shanghai Zhongji Investment Holding Co., Ltd.* (上海中技投資控股股份有限公司), a company listed on The Shanghai Stock Exchange, for the period from November 2012 to November 2014. Mr. Chen was appointed as a director and elected as the chairman and the chief executive officer of Zhejiang Xinlian Co., Ltd.* (浙江信聯股份有限公司) on 2 March 2015 and 3 March 2015 respectively. Mr. Chen served as a director of Cloud Live Technology Group Co., Ltd.* (中科雲網科技集團股份有限公司), a company listed on The Shenzhen Stock Exchange, from November 2016 to March 2018, as the vice chairman from June 2017 to March 2018, and has been the chairman and the chief executive since 1 November 2018. Since June 2018, Mr. Chen has served as the chief representative of the Greater China region of the Bilateral Research Institute in the United States. Mr. Chen was an independent non-executive Director from 10 August 2012 to 13 April 2015, was appointed as an executive Director with effect from 13 April 2015, was the chairman of the Board from 29 June 2016 to 31 December 2018, and has been the vice chairman of the Board since 1 January 2019.

Non-Executive Directors

Mr. Li Wenqi (李文琦先生), aged 58, graduated from Shaanxi College of Finance and Economics* (陝西財經學院, now known as Xi'an Jiaotong University* (西安交通大學)). He worked for Shaanxi Silk Import & Export Corporation* (陝西省絲綢進出口公司), which is one of the promoters of the Company, as the deputy chief of planning and finance department from October 1987 to April 1994, the manager of planning and finance department from April 1994 to October 1997, an assistant to general manager and the manager of planning and finance department from October 1997 to May 2001. He has served as the chief accountant and the manager of planning and finance department of Shaanxi Kaisei Group Co., Ltd.* (陝西開成集團有限責任公司) since May 2001, and the general manager of Shaanxi Kaisei Group Co., Ltd. since September 2015. Mr. Li has joined the Company as a non-executive Director since October 2000.

Mr. Zuo Hong (左宏先生), aged 60, graduated from Xidian University* (西安電子科技大學) and obtained the qualification of Senior Engineer in 2005. He was the instructor of Xi'an Armed Police Corps. He took the position of supervisor and chief technical director of the engineering and technology department in Xi'an Huiliang Electronic Technologies Co., Ltd.* (西安慧良電子科技有限公司) in 1995 and 1997 respectively. He was the chairman and the general manager of Xi'an Tianditong Communication Development Co., Ltd.* (西安天地通通信發展有限公司) in September 1999. Mr. Zuo was appointed as the general manager of Xi'an Haitian Communication System Engineering Co., Ltd.* (西安海天通信系統工程有限公司), a subsidiary of the Company, in July 2006 and as an assistant to the chief executive director of Xi'an Hi-tech Communication Software Co., Ltd.* (西安海泰科通訊軟件有限公司), a subsidiary of the Company, in December 2006. He served as the head of the sales and marketing department of the Company in 2007, was the general manager of the Company from 31 December 2012 to 13 July 2016, and has become the vice general manager of the Company since 13 July 2016. Mr. Zuo was an executive Director for the period from 20 May 2007 to 8 April 2014, and has been appointed as a non-executive Director since 29 June 2016.

Mr. Sun Yikuan (孫義寬先生), aged 53, graduated from Dongbei University of Finance and Economics* (東北財經大學) in 2004 majoring in business administration with a bachelor degree. Mr. Sun worked at Xi'an Graphite Products Factory* (西安石墨製品廠) from February 1990 to January 1994; Haikou Daxin Urban Credit Cooperative* (海口大信城市信用社) as an assistant to manager of capital planning department from January 1994 to September 1997; Hainan Hong Kong and Macau International Trust and Investment Co., Ltd.* (海南港澳國際信托投資有限公司) as a senior manager of capital planning department from October 1997 to October 2001; Western Investment Group Industrial Co., Ltd.* (西部投資集團實業有限公司) as the deputy manager of capital planning department from October 2001 to February 2003; and the industrial investment fund department of Shaanxi Province Industrial Investment Management Co., Ltd.* (陝西省產業投資管理有限公司) from February 2003 to April 2006. Mr. Sun joined Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司), which is one of the promoters of the Company, in April 2006, and successively served as a project manager of the investment planning department, a supervisor and an executive officer of Kaiyuan Mall Baozhen Co., Ltd.* (開元商城寶鵝有限公司), a supervisor of Xi'an International Medical Centre Co., Ltd.* (西安國際醫學中心有限公司), a director of Shangluo International Medical Centre Hospital Co., Ltd.* (商洛國際醫學中心醫院有限公司), and an assistant to the president of Xi'an International Medical Investment Co., Ltd. until May 2018. From May 2018 to May 2021, Mr. Sun served as the chairman of the labour union, an assistant to the president and a supervisor of Xi'an International Medical Investment Co., Ltd. Mr. Sun has become the vice-president of Xi'an International Medical Investment Co., Ltd. since May 2021. Mr. Sun joined the Company as a non-executive Director with effect from 29 June 2022.

Directors, Supervisors and Senior Management

Mr. Chen Ren (陳仁), aged 57, graduated from University of Electronic Science and Technology (formerly known as: Chengdu Institute of Telecommunications Engineering), majoring in electronic engineering. Mr. Chen is currently the chairman of Chengdu Datu Zhitong Technology Co., Ltd. (成都達拓智通科技有限公司) and the chairman and general manager of Chengdu Wuji Hexin Intelligent System Co., Ltd. (成都悟己和信智能系統有限公司). Mr. Chen has previously served as managing director of Sichuan Fengguo Network Technology Co., Ltd. (四川鋒果網絡科技有限公司); deputy general manager of Sichuan Chuangli Information Technology Co., Ltd. (四川創力信息技術有限公司); chairman and general manager of Chengdu Zhongyan Technology Co., Ltd. (成都眾焱科技有限公司); deputy general manager of Guangzhou Bangxun Technology Co., Ltd. (廣州邦訊技術有限公司); chairman and general manager of Shenzhen Xiantaike Technology Co., Ltd. (深圳先泰科科技有限公司); deputy general manager of Shenzhen Shekou Jinnuo Technology Co., Ltd. (深圳蛇口金諾科技有限公司); head of the manufacturing department, head of the planning department and the assistant to the general manager of Shekou Taifeng Electronics Co., Ltd. (蛇口泰豐電子有限公司), manufacturing engineer and quality management engineer of Weili Electronics Company (偉力電子公司) and Yada Electronics Company (雅達電子公司); and a teaching assistant in the Department of Radar and Department of Electronic Engineering at University of Electronic Science and Technology of China (電子科技大學).

Independent Non-Executive Directors

Professor Shi Ping (師萍教授), aged 74, holds a doctoral degree and the Chinese Certified Public Accountant qualification. Professor Shi has served as a professor and a doctoral tutor of School of Economics and Management at Northwestern University* (西北大學) since November 1985. The main social positions of Professor Shi included an assessor of National Natural Science Foundation of China* (國家自然科學基金項目), an executive director of Accounting Society of Shaanxi Province* (陝西會計學會), the vice president of Shaanxi Cost Accounting Researching Association* (陝西成本研究會), an advisor of Xi'an Accounting Society* (西安市會計學會). Professor Shi was an independent director of Shaanxi Qinling Cement (Group) Co., Ltd.* (陝西秦嶺水泥(集團)股份有限公司), GuangYuYuan Chinese Herbal Medicine Co., Ltd.* (廣譽遠中藥股份有限公司) and Xi'an Haixing Technology Industry (Group) Co., Ltd.* (西安海星科技實業(集團)有限公司). Professor Shi is an independent director of Ginwa Enterprise (Group) Inc.* (金花企業(集團)股份有限公司) and Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司). Professor Shi was an independent Supervisor from 11 October 2002 to 28 June 2013, and has been appointed as an independent non-executive Director with effect from 13 April 2015.

Mr. Tu Jijun (涂繼軍先生), aged 57, graduated as a Bachelor of Engineering from Xidian University* (西安電子科技大學) in July 1986. Since November 1986, Mr. Tu has worked at the information technology department of Shaanxi Branch of Bank of China Co., Ltd.* (中國銀行股份有限公司陝西省分行). Mr. Tu has been appointed as an independent non-executive Director with effect from 21 August 2015.

Mr. Liu Lidong (劉立東先生), aged 53, graduated from Beijing College of Posts and Telecommunications* (北京郵電學院), now known as Beijing University of Posts and Telecommunications* (北京郵電大學), with bachelor degree in computer communication in July 1992, and obtained a master degree in business administration from Tsinghua University in July 2006. Mr. Liu served as an engineer, supervisor, manager and department head of Guangdong Mobile Communications Co., Ltd. Shenzhen Branch* (廣東移動通信有限責任公司深圳分公司) successively from 1992 to 2006; served as the general manager of Guangdong Mobile Communications Co., Ltd. Meizhou Branch* (廣東移動通信有限責任公司梅州分公司) from 2006 to 2007; served as the regional general manager and integrated department general manager of CMPark Co., Ltd.* (中國移動辛姆巴科有限公司) successively from 2007 to 2009; and served as the executive of Yinsheng Electronic Payment Technologies Co., Ltd.* (銀盛電子支付科技有限公司) from 2009 to 2011. Mr. Liu has served as an executive director in Shenzhen Yangyi Technologies Co., Ltd.* (深圳市揚易科技有限公司) since 2011, and has served as the chairman and director of Guangzhou Liuhe Information Technologies Co., Ltd.* (廣州六合信息科技股份有限公司) since 2016. Mr. Liu has been appointed as an independent non-executive Director with effect from 10 May 2021.

SUPERVISORS

Mr. Wang Xiaokun (王曉坤先生), aged 54, graduated from Nanjing University* (南京大學) in 1991 with a bachelor degree in water resources and environmental. Mr. Wang worked as an engineer at Shaanxi Provincial Environmental Protection Research Institute* (陝西省環境保護研究所) from 1991 to 1994 and served as the deputy general manager in Xi'an Tiancheng Medical Bio-Engineering Co., Ltd.* (西安天誠醫藥生物工程有限公同) from 1994 to 1998. Since 1998, Mr. Wang has appointed as the chairman of Xi'an Dadi Phyto Tech Co., Ltd.* (西安大地植化技術有限公同). Mr. Wang has been appointed as an independent Supervisor with effect from 30 June 2015.

Mr. Shang Lijian (商力堅先生), aged 56, holds a bachelor degree of School of Chemical Engineering of Beijing Union University* (北京聯合大學化學工程學院). Mr. Shang worked for Institute of Botany of The Chinese Academy of Sciences* (中國科學院植物研究所) as a research assistant from July 1989 to December 1995 and Guokaitai Industrial Development Co., Ltd.* (國開泰實業發展有限公同) as a corporate staff from January 1998 to May 2001. Mr. Shang joined Beijing Holding Investment Management Co., Ltd.* (北京控股投資管理有限公同) and served as an investment staff, the business management deputy manager and the office deputy supervisor from June 2001 to June 2015, during which Mr. Shang was assigned to Beijing Beikong Water Manufacturing Co., Ltd.* (北京北控制水有限公同) as the deputy general manager (2006-2007), Beijing Beikong Environmental Protection Engineering Technologies Co., Ltd.* (北京北控環保工程技術有限公同) as the deputy general manager (2007-2013) and Guoao Investment Development Co., Ltd.* (國奧投資發展有限公同) as the deputy general manager (2013 to 2014). Mr. Shang assumed the deputy manager of the investment and development department of Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公同) which holds more than one-third of voting rights of Beijing Holdings Investment Management Co., Ltd.* (北京北控京泰投資管理有限公同), a promoter and shareholder of the Company, in July 2015, became the deputy manager (lead work) in March 2018, and then has assumed the manager of the Strategy and Investment Department since May 2020. Mr. Shang has been appointed as a shareholder Supervisor with effect from 29 June 2018.

Mr. Li Tianzuo (李天佐先生), aged 51, graduated from Electronic Engineering Department of Southeast University* (東南大學) at Nanjing in Jiangsu province with a bachelor degree in July 1995. Mr. Li worked at the research and development department of State-owned Xi'an Datang Telecom Company* (西安大唐電信公同) from 1995 to 2000 and engaged in the early stage of research, development and design of program control exchange for the State. He served as the product manager of Shanghai Jinglun Communication Co., Ltd.* (上海精倫通信有限公同) from May 2000 to October 2002 and engaged in design and development of new generation of soft-switching communication products. Mr. Li has joined the development department of the Company to organise research, development, design and production for full-band wireless communication products, communication base station and long-term evolution (LTE) equipment system since November 2002 and has become the head of development department of the Company. Mr. Li has been elected as a staff Supervisor since 29 June 2016.

SENIOR MANAGEMENT

Mr. Wang Yun (王贇先生), aged 43, graduated from School of Economics and Management of Northwest University* (西北大學) majoring in investment and economics in 2002, and obtained a minor diploma in e-commerce from Northwest University in the same year. In 2009, he obtained a Master of Engineering in project management from Northwestern Polytechnical University* (西北工業大學). Mr. Wang was a non-staff representative supervisor of the fourth supervisory committee from March 2019 to March 2021 and has been a non-staff representative supervisor and the chairman of the fifth supervisory committee since March 2021 of Cloud Live Technology Group Co., Ltd.* (中科雲網科技集團股份有限公同), a company listed on The Shenzhen Stock Exchange, and an appointed representative of Shanghai Zhenxi Enterprise Management Consulting Partnership (Limited Partnership)* (上海臻禧企業管理諮詢合夥企業(有限合夥)) since 8 December 2020. After joining the Group in September 2002, he served in the securities department, the finance department and the administration department as the project manager as well as the deputy head and the head of the administration department. Mr. Wang served as the secretary to the Board from 2011 to 2019 and has become the general manager of the Company since 11 December 2019.

Directors, Supervisors and Senior Management

Mr. Xu Hao (徐浩先生), aged 52, graduated from Shaanxi Financial Technological College* (陝西財政專科學校) with a major in finance in July 1994 and obtained the accountant qualification. Mr. Xu worked in the finance division of Xi'an State-owned Tractor Factory* (國營西安拖拉機製造廠) from 1994 to 2000, served as the financial supervisor of Xi'an Tianhao Plastic Steel Product Limited Liability Company* (西安添好塑鋼製品有限責任公司) from January 2001 to September 2003, and served as the project manager of Xi'an Pengguang Tax Agent & Bureau Co., Ltd.* (西安鵬光稅務師稅務所有限責任公司) from October 2003 to February 2005. Mr. Xu has worked in the finance department of the Company since March 2005 and is now the financial controller of the Company. Mr. Xu was a staff Supervisor from 18 April 2008 to 17 April 2014 and from 11 September 2015 to 28 June 2016.

Mr. Wu Aiqing (吳愛清先生), aged 43, graduated as the accounting profession from Zhongnan University of Economics and Law* (中南財經政法大學). Mr. Wu served as a staff member and the head of the finance department at First Tractor Company Limited* (第一拖拉機股份有限公司) and YTO Group Corporation* (中國一拖集團有限公司) from July 2004 to December 2007, served as the investment director of Shanghai Xinzhuo Investment Consulting Co., Ltd.* (上海信卓投資諮詢有限公司) from January 2008 to March 2009, served as the vice president of the investment department of a wholly-owned subsidiary of Zhuhai Huafa Group Limited* (珠海華發集團有限公司) from March 2009 to July 2011, and served as the deputy general manager and the chief financial officer at Zhuhai Yide Petrochemical Co., Ltd.* (珠海市一德石化有限公司) from August 2011 to May 2014. Mr. Wu has held the position of the vice general manager since November 2018 and the financial controller since August 2019, served as a non-independent director of the fourth board of directors from November 2020 to March 2021 and has served the vice-chairman of the fifth board of directors since March 2021 of Cloud Live Technology Group Co., Ltd.* (中科雲網科技集團股份有限公司), a company listed on The Shenzhen Stock Exchange. Mr. Wu joined Haitian Antenna (Shanghai) International Trade Co., Ltd.* (海天天綫(上海)國際貿易有限公司), a wholly-owned subsidiary of the Company, as the head of the finance department in June 2014, served as the vice general manager of the Company from 29 June 2016 to 8 September 2017, served as the general manager of the Company from 9 September 2017 to 11 December 2019, and has been the vice general manager of the Company since 11 December 2019.

Mr. Wang Jianqing (王建青先生), aged 42, graduated from China Central Radio and Television University* (中央廣播電視大學) (now known as The Open University of China) in the business administration in 2007. Mr. Wang worked as a project manager and a project supervisor of the research and development department of the Company from August 2001 to December 2011, a project supervisor of the research and development department and the vice manager of delivery centre in Xi'an Sanyuanda Haitian Antenna Co., Ltd.* (西安三元達海天天綫有限公司) from December 2011 to February 2016, the product manager of Shaanxi Chuangda Communication Technologies Co., Ltd.* (陝西創達通信科技有限公司) from February 2016 to June 2017, and the vice general manager and the head of the research and development department of Xi'an Xiao's Antenna Technologies Co., Ltd.* (西安肖氏天綫科技有限公司) from 2017 to 2019. Mr. Wang has become the vice general manager of the Company since 11 December 2019.

Ms. Lei Xiao (雷霄女士), aged 38, obtained a Bachelor of Administration Management from Air Force Engineering University* (空軍工程大學) in 2008. Ms. Lei worked in the administration and personnel department of the Company from July 2008 to December 2011, worked in Xi'an Sanyuanda Haitian Antenna Co., Ltd.* (西安三元達海天天綫有限公司) from December 2011 to June 2014 as the head of general affairs department and the assistant to the general manager, and served as the head of the securities department of Shaanxi Guode Electric Manufacturing Co., Ltd.* (陝西國德電氣製造有限公司) from June 2014 to March 2015. Ms. Lei has been the head of the investment department of the Company since March 2015, and has been the secretary of the Board since 11 December 2019.

COMPANY SECRETARY

Mr. Lee Kun Yin (李冠賢先生), qualified as a chartered accountant in Australia and is the founder of Inston Hong Kong Limited. He has previously managed the Asia Pacific commission sales and client strategy business in equities for Credit Suisse and Standard Chartered Bank and managed advisory teams for Accenture in Hong Kong. He holds a Master of Commerce Degree from The University of New South Wales and Bachelor of Commerce and Arts Degrees from The University of Melbourne. He is a member of both the Chartered Accountants in Australia & New Zealand and Hong Kong Institute of Certified Public Accountants.

Report of the Supervisory Committee

To all shareholders,

During the year ended 31 December 2023, the supervisory committee of the Company (the “Supervisory Committee”) thoroughly performed its duties faithfully in accordance with the provisions of the Company Laws of the PRC, GEM Listing Rules and the articles of association (the “Articles”) of the Company. Adhering to the principles of safeguarding interests of all shareholders and benefits of the staff of the Company, the Supervisors attended Board meetings, acquiring first-hand information of the Board’s decision on marking important issues and effectively monitoring the Board and senior management of the Company in performing their duties, and providing reasonable recommendation and advice on the operations and development plans of the Company.

The Supervisory Committee considers that:

1. The Company’s operation for the year of 2023 complied with the relevant laws and regulations of the state and local governments of the PRC and the Articles;
2. The Directors and managers of the Company performed their duties in strict compliance of the relevant rules and regulations for the development of the Company. They carried out their work diligently without violating any laws and regulations or the Articles and had not conducted any activities which were against the interests of the Company;
3. The connected transactions of the Company, which have fully complied with the relevant provisions of the GEM Listing Rules, were fair and reasonable. We have not discovered any act that prejudiced the interests of the Company;
4. The Supervisory Committee’s role in monitoring the management was strengthened by attending Board meetings, participating in the decision-making process of the management and reviewing regularly the Company’s financial statements and accounts. The Supervisors believe that the financial management of the Company was performed in strict accordance with the relevant accounting principles, that the financial statements and accounts were prepared timely and properly and that no improper disclosures were identified; and
5. The Supervisory Committee has verified the financial information such as the financial and performance reports and was satisfied with the report of the Board, the audited financial statements to be submitted to the forthcoming annual general meeting by the Board. We are of the opinion that the audited financial statements for the year ended 31 December 2023 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

The Supervisory Committee would like to extend its appreciation to all shareholders of the Company, the Directors and members of staff for their strong support to the Supervisory Committee’s work.

On behalf of the Supervisory Committee

Li Tianzuo
Chairman

Xi’an, the PRC
28 March 2024

Directors' Report

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in research and development, manufacture and sale of mobile communication antennas and related products, underwater and underground surveillance, imaging, mechanical equipment, and complicated environment warning and surveillance equipment, agricultural and forestry used unmanned aerial vehicles, provision of consultancy services and sales of agricultural products.

The principal activities of its subsidiaries are set out in note VIII.1 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the Year together the future business development are set out in the section headed "Management Discussion and Analysis" of this annual report.

An account of the Group's relationship with its key stakeholders and discussions on the Group's environmental policies and performance are included in the respective sections headed "Corporate Governance Report" and "Environmental, Social and Governance Report".

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement of this annual report.

No interim dividend (2022: Nil) was paid during the Year and the Board did not recommend any payment of a final dividend for the Year (2022: Nil). As at the date of this annual report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

RELATIONSHIPS WITH KEY PARTIES

The success of the Group also depends upon the support from key parties which include customers, suppliers, employees and shareholders respectively.

Customers

The Group provides high standard and good quality products to our customers, as well as strong maintenance and after-sales services to maintain a close relationship with our existing customers to encourage re-engagement and/or referral.

Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its suppliers in order to provide products and services with high efficiency and quality so as to further enhance our reputation in the market.

Employees

The Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and professional working environment. The key objective of our human resources management is to recognise and reward performing staff by providing competitive remuneration packages, work-life balances and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

Shareholders

The principal goal of the Group is to maximise the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with potential dividend payouts by taking into account the business development needs and financial position of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and other materials. For further details, please refer to the "Environmental, Social and Governance Report" section of this annual report.

Overall, the Group is committed to the long-term sustainability of its businesses and the communities with which it engages. The Group pursues this business approach by managing the business prudently and executing management decision with due care and attention.

SEGMENT INFORMATION

Details of the segment information of the Group for the year are set out in note XVI.2 to the Financial Statements.

DISTRIBUTABLE RESERVES

In accordance with the Articles, the reserve available for distribution is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the principles generally accepted in Hong Kong if applicable. Based on the financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC, the Company does not have any reserves available for distribution to its equity holders as at 31 December 2023.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Risks relating to the industry

The products Business of the Group depends substantially on the global economic and market conditions. During period of slowing economic growth or recession and trade conflicts, consumer spending may drop as they are less willing to spend money. A drop in customer spending power could lead to a drop in demand for production lines which in turn lower the demand of our products and thereby adversely affecting our results of operations and financial condition. To manage and reduce the risk, the Board carefully plan and monitor any expansion of business in caution.

Risks relating to concentration of suppliers

There is no assurance that our business relationship with our suppliers will continue in the future. To reduce the risk, the Group proactively tries to expand its supplier base for high quality suppliers in which it has achieved an improvement.

Risks relating to conducting business in the PRC

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as substantial part of our assets and business operation are located in PRC. The economic, political and social conditions, as well as government policies, including taxation policies, could affect our business. To manage the risk, senior management would closely monitor economic, political, legal, institutional and social developments in the PRC while maintaining conservative treasury policy.

Financial risks

Details of financial risks are set out in note X to the consolidated financial statements.

Directors' Report

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in shareholders' equity of this annual report and notes V.26 to 28 to the financial statements respectively.

FIVE YEAR FINANCIAL SUMMARY

A financial summary of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 200 in this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note V.25 to the financial statements.

EQUITY-LINKED AGREEMENTS AND SHARE OPTION SCHEMES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in notes V.8 and 9 to the financial statements.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. Xiao Bing (*chairman*)

Mr. Chen Ji (*vice-chairman*)

Non-Executive Directors

Mr. Li Wenqi

Mr. Sun Yikuan

Mr. Zuo Hong

Mr. Chen Ren (appointed on 3 April 2023)

Mr. Zhang Jun (resigned on 3 April 2023)

Independent Non-Executive Directors

Professor Shi Ping

Mr. Tu Jijun

Mr. Liu Lidong

Supervisors

Mr. Li Tianzuo

Mr. Shang Lijian

Mr. Wang Xiaokun

Directors' and Supervisors' service contracts

Each of the Directors and the Supervisors has entered into a service contract with the Company for a term valid until 28 June 2023 subject to renewal upon approval by the shareholders of the Company for one or more consecutive terms of three years. In accordance with the provisions of the Articles, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the PRC Company Law, the term of office of the Supervisors shall also be three years and renewable upon re-appointment or re-election.

Other than as disclosed above, none of the Directors and Supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Independence of Independent Non-Executive Directors

The Board confirmed that the Company received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered that the independent non-executive Directors to be independent.

Directors' and Supervisors' emoluments

Details of emoluments of Directors and Supervisors are set out in note XII.5 to the financial statements.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

Name of person	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Mr. Xiao Bing (肖兵先生)	Beneficial owner, family member interest and interest in controlled corporation	485,832,335 (Note 1)	38.81%	25.60%
Mr. Chen Ji (陳繼先生)	Interest in controlled corporation	272,844,804 (Note 2)	21.80%	14.38%

Directors' Report

Long positions in H shares of the Company ("H Shares")

Name of person	Capacity	Number of H Shares	Approximate % in total issued H Shares	Approximate % in total issued Shares
Mr. Xiao Bing (肖兵先生)	Beneficial owner	10,000,000	1.55%	0.53%
Mr. Chen Ji (陳繼先生)	Beneficial owner and spouse interest	11,718,000 (Note 3)	1.81%	0.62%

Notes:

- 328,363,637 Domestic Shares are held by Xi'an Tian An Corporate Management and Consulting Co., Ltd.* (西安天安企業管理諮詢有限公司) ("**Tian An Corporate**"), which is beneficially owned as to 60% by Mr. Xiao Bing (肖兵先生) and 40% by his spouse Ms. Chen Jing (陳靜女士). 157,468,698 Domestic Shares are held by Xi'an Xiao's Antenna Technologies Co., Ltd.* (西安肖氏天綫科技有限公司) ("**Xiao Antenna**"), which is beneficially owned as to 31% by his father Professor Xiao Liangyong (肖良勇教授) and as to 30% by his spouse Ms. Chen Jing. On 10 August 2023, Professor Xiao Liangyong transferred his 31% share of Xiao Antenna to Ms. Chen Jing. By virtue of the SFO, Mr. Xiao Bing is deemed to be interested in the same 328,363,637 and 157,468,698 Domestic Shares. In the 2nd quarter of 2023, Mr. Xiao Bing transferred his 57,000,000 and 8,000,000 Domestic Shares to Mr. Chen Ren and Ms. Ma Xiuling, respectively.
- 254,844,804 Domestic Shares are held by Shanghai Gaoxiang Investment Management Co., Ltd.* (上海高湘投資管理有限公司) ("**Gaoxiang Investment**"), which is beneficially owned by Mr. Chen Ji (陳繼先生) and his spouse Ms. Sun Xiangjun (孫湘君女士) in equal share. The Domestic Shares held by Shanghai Hongzhen Ningshang Investment Management Partnership (limited partnership)* (上海泓甄寧尚投資管理合夥企業(有限合夥)) ("**Shanghai Hongzhen Ningshang**") reduced from 18,500,000 to 18,000,000. In the 2nd quarter of 2023, Shanghai Hongzhen Ningshang transferred its 500,000 Domestic Shares to Mr. Song Xiangyu. Shanghai Hongzhen Ningshang 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 18,000,000 Domestic Shares.
- 11,418,000 H Shares are held by Mr. Chen Ji and 300,000 H Shares are held by Ms. Sun Xiangjun. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 300,000 H Shares.

Saved as disclosed above, as at 31 December 2023, none of the Directors, Supervisors and chief executives of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2023, so far as is known to the Directors, the Supervisors or chief executive of the Company, the following persons/entities (other than the Directors, Supervisors or chief executive of the Company) who/which had, or are deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who/which were or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or who/which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Domestic Shares

Name of person/entity	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Ms. Chen Jing (陳靜女士)	Spouse interest and interest in controlled corporation	485,832,335 (Note 1)	38.81%	25.60%
Tian An Corporate	Beneficial owner	328,363,637 (Note 1)	26.23%	17.30%
Ms. Sun Xiangjun (孫湘君女士)	Spouse interest and interest in controlled corporation	272,844,804 (Note 2)	21.80%	14.38%
Gaoxiang Investment	Beneficial owner	254,844,804 (Note 2)	20.36%	13.43%
Xiao Antenna	Beneficial owner	157,468,698 (Note 1)	12.58%	8.30%
Xi'an International Medical Investment Co., Ltd.* (西安國際醫學投資股份有限公司)	Beneficial owner	100,000,000	7.99%	5.27%
Shenzhen Huitai Investment Development Co., Ltd.* (深圳市匯泰投資發展有限公司)	Beneficial owner	75,064,706 (Note 3)	5.99%	3.96%
Mr. Xiao Feng (肖峰先生)	Interest in controlled corporation	75,064,706 (Note 3)	5.99%	3.96%

Directors' Report

Name of person/entity	Capacity	Number of Domestic Shares	Approximate % in total issued Domestic Shares	Approximate % in total issued Shares
Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司)	Beneficial owner	70,000,000 (Note 4)	5.59%	3.69%
Mr. Wang Yun (王贇先生)	Interest in controlled corporation	70,000,000 (Note 4)	5.59%	3.69%
Mr. Chen Ren (陳仁先生)	Beneficial owner	57,000,000	4.55%	3.00%
Beijing Holdings Investment Management Co., Ltd.* (北京北控京泰投資管理有限公司)	Beneficial owner	54,077,941 (Note 5)	4.32%	2.85%
Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司)	Interest in controlled corporation	54,077,941 (Note 5)	4.32%	2.85%
Ms. Jin Rongfei (金嶸霏女士)	Beneficial owner	50,000,000	3.99%	2.64%
Shaanxi Yinji Investment Ltd.* (陝西銀吉投資有限公司)	Beneficial owner	20,000,000	1.60%	1.05%
Mr. Zhang Jiandong (張建東先生)	Beneficial owner	20,000,000	1.60%	1.05%
Shanghai Ruikou Commerce and Trading Ltd.* (上海睿寇商貿有限公司)	Beneficial owner	18,500,000	1.48%	0.97%
Shanghai Hongzhen Ningshang	Beneficial owner	18,000,000 (Note 2)	1.44%	0.95%
Mr. Jiao Chengyi (焦成義先生)	Beneficial owner	10,943,030	0.87%	0.58%
Mr. Liao Kang (廖康先生)	Beneficial owner	9,101,478	0.73%	0.48%
Ms. Ma Xiuling (麻秀玲女士)	Beneficial owner	8,000,000	0.64%	0.42%
Mr. Song Xiangyu (宋祥雨先生)	Beneficial owner	500,000	0.04%	0.03%

Long positions in H Shares

Name of person/entity	Capacity	Number of H Shares (Note 6)	Approximate % in total issued H Shares	Approximate % in total issued Shares
Mr. Huang Li Hou (黃李厚先生)	Beneficial owner	85,100,000	13.18%	4.48%
Ms. Chen Wei (陳瑋女士)	Beneficial owner and interest in controlled corporation	70,897,000 (Note 7)	10.98%	3.74%
Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司)	Beneficial owner	70,752,000 (Note 7)	10.96%	3.73%
Oceanic Bliss Holdings Limited (海祥控股有限公司)	Interest in controlled corporation	70,752,000 (Note 7)	10.96%	3.73%
Zeal Warrior Investments Limited	Interest in controlled corporation	70,752,000 (Note 7)	10.96%	3.73%
Clear Renown Global Limited (朗譽環球有限公司)	Beneficial owner	42,000,000 (Note 8)	6.50%	2.21%
Ms. Huang Wei Wen (黃偉汶女士)	Interest in controlled corporation	42,000,000 (Note 8)	6.50%	2.21%
Ms. Sun Xiangjun (孫湘君女士)	Beneficial owner and spouse interest	11,718,000 (Note 9)	1.81%	0.62%
Guotai Junan Financial	Issuer of investment products	23,500,000 (Note 10)	3.64%	1.24%
Guotai Junan International	Interest in controlled corporation	23,500,000 (Note 10)	3.64%	1.24%
Guotai Junan Holdings	Interest in controlled corporation	23,500,000 (Note 10)	3.64%	1.24%
Guotai Junan Securities	Interest in controlled corporation	23,500,000 (Note 10)	3.64%	1.24%

Directors' Report

Short positions in H Shares

Name of person/entity	Capacity	Number of underlying H Shares (Note 6)	Approximate % in total issued H Shares	Approximate % in total issued Shares
Guotai Junan Financial	Issuer of unlisted and cash settled derivatives	23,500,000 (Note 11)	3.64%	1.24%
Guotai Junan International	Interest in controlled corporation	23,500,000 (Note 11)	3.64%	1.24%
Guotai Junan Holdings	Interest in controlled corporation	23,500,000 (Note 11)	3.64%	1.24%
Guotai Junan Securities	Interest in controlled corporation	23,500,000 (Note 11)	3.64%	1.24%

Notes:

- 328,363,637 Domestic Shares are held by Tian An Corporate, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by his spouse Ms. Chen Jing. 157,468,698 Domestic Shares are held by Xiao Antenna, which is beneficially owned as to 31% by his father Professor Xiao Liangyong and as to 30% by his spouse Ms. Chen Jing. In the 2nd quarter of 2023, Mr. Xiao Bing transferred his 57,000,000 and 8,000,000 Domestic Shares to Mr. Chen Ren and Ms. Ma Xiuling, respectively. On 10 August 2023, Professor Xiao Liangyong transferred his 31% share of Xiao Antenna to Ms. Chen Jing. By virtue of the SFO, Ms. Chen Jing is deemed to be interested in the same 328,363,637 and 157,468,698 Domestic Shares.
- 254,844,804 Domestic Shares are held by Gaoxiang Investment, which is beneficially owned by Mr. Chen Ji and his spouse Ms. Sun Xiangjun in equal share. 18,000,000 Domestic Shares are held by Shanghai Hongzhen Ningshang, which is beneficially owned as to 83.33% by Mr. Chen Ji and 16.67% by Shanghai Hongzhen Investment, and Shanghai Hongzhen Investment is beneficially owned as to 60% by Gaoxiang Investment. By virtue of the SFO, Ms. Sun Xiangjun is deemed to be interested in the same 254,844,804 and 18,000,000 Domestic Shares.
- 75,064,706 Domestic Shares are held by Shenzhen Huitai Investment Development Co., Ltd.* (深圳市匯泰投資發展有限公司), which is beneficially owned as to 80% by Mr. Xiao Feng (肖峰先生). By virtue of the SFO, Mr. Xiao Feng is deemed to be interested in the same 75,064,706 Domestic Shares.
- 70,000,000 Domestic Shares are held by Xi'an Haorun Investment Ltd.* (西安昊潤投資有限責任公司), which is beneficially owned as to 50% by Mr. Wang Yun (王贇先生). By virtue of the SFO, Mr. Wang Yun is deemed to be interested in the same 70,000,000 Domestic Shares.

5. 54,077,941 Domestic Shares are held by Beijing Holdings Investment Management Co., Ltd.* (北京北控京泰投資管理有限公司) (“**Beijing Holdings**”). By virtue of the SFO, Beijing Holdings (Group) Ltd.* (京泰實業(集團)有限公司), which holds more than one third of voting rights of Beijing Holdings, is deemed to be interested in the same 54,077,941 Domestic Shares.
6. Details of these shareholders of the Company are based on information as set out in the website of the Stock Exchange and notified by the Disclosure of Interests Online System of the Stock Exchange.
7. 145,000 H Shares are held by Ms. Chen Wei (陳瑋女士) who is beneficial owner of Zeal Warrior Investments Limited (“**Zeal Warrior**”). 70,752,000 H Shares are held by Hongkong Jinsheng Enterprise Co., Limited (香港錦昇企業有限公司), which is beneficially owned by Oceanic Bliss Holdings Limited (海祥控股有限公司) (“**Oceanic Bliss**”), and Oceanic Bliss is beneficially owned by Zeal Warrior. By virtue of the SFO, each of Ms. Chen Wei, Oceanic Bliss and Zeal Warrior is deemed to be interested in the same 70,752,000 H Shares.
8. 42,000,000 H Shares are held by Clear Renown Global Limited (朗譽環球有限公司), which is beneficially owned by Ms. Huang Wei Wen (黃偉汶女士). By virtue of the SFO, Ms. Huang Wei Wen is deemed to be interested in the same 42,000,000 H Shares.
9. 11,418,000 H Shares are held by Mr. Chen Ji and 300,000 H Shares are held by Ms. Sun Xiangjun. By virtue of the SFO, Ms. Sun Xiangjun is deemed to be interested in the same 11,418,000 H Shares.
10. 23,500,000 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**”). By virtue of the SFO, each of Guotai Junan International, Guotai Junan Holdings and Guotai Junan Securities is deemed to be interested in the same 23,500,000 H Shares.
11. Short positions in 23,500,000 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. By virtue of the SFO, each of Guotai Junan International, Guotai Junan Holdings and Guotai Junan Securities is deemed to have short position in the same 23,500,000 underlying H Shares.

Saved as disclosed above, as at 31 December 2023, the Directors, Supervisors and chief executives of the Company were not aware of any other person/entity (other than the Directors, Supervisors or chief executive of the Company) who/which had, or is deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who/which was or is expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or who/which was recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE H SHARES

As at 31 December 2023, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of Shares in the Company or any other body corporate, and neither the Directors nor Supervisors, nor chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

ISSUANCE OF NEW SHARES AND DEBENTURES

The Company did not issue any new shares and debentures during the year ended 31 December 2023 (2022: Nil).

SUFFICIENCY OF PUBLIC FLOAT

At least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2023 and as at the date of this annual report.

COMPETING INTERESTS

None of the Directors, the Supervisors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had an interest in any business which competes or may compete, directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions" and except for Directors' and Supervisors' service contracts, no contract of significance, to which the Company or its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

DONATIONS

During the year ended 31 December 2023, the Group made no charitable and other donations.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

For the year ended 31 December 2023, the Group did not have any material investments, acquisitions or disposals of subsidiaries, associates or joint ventures. There was no formal plan authorised by the Board for any material investments, acquisitions or disposals of subsidiaries, associates or joint ventures as at 31 December 2023 and up to the date of this annual report.

FUND RAISING ACTIVITIES

There were no fund-raising activities conducted by the Company during the year ended 31 December 2023.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group's major operations are mainly carried out in Mainland China and Hong Kong, while the Company listed on the GEM of the Stock Exchange. The Group always aims to comply with relevant laws and regulations in Mainland China, Hong Kong and the respective places of incorporation of the Company and its subsidiaries while sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations.

During the year and up to the date of this annual report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2023 are set out in Note XII to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under GEM Listing Rules.

CONNECTED TRANSACTIONS

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 10 to 20 of this annual report.

PERMITTED INDEMNITY PROVISIONS

Appropriate insurance cover on Directors' and officers' liabilities has been provided by the Company to cover potential legal actions from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after 31 December 2023 and up to the date of this annual report, which would materially affect the Group's operating and financial performance.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by SHINEWING Certified Public Accountants LLP ("Shinewing"). A resolution will be proposed at the forthcoming annual general meeting to reappoint Shinewing as the auditors of the Group.

The Group has not changed its external auditor in any of the preceding 3 years.

OUTLOOK

The Company will continue to develop and grow while aiming to improve its financial position, business operation and industry reputation in order to create long-term value for shareholders.

On behalf of the Board

Xiao Bing
Chairman

Xi'an, the PRC
28 March 2024

Audit Report



信永中和会计师事务所

ShineWing
certified public accountants

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

I. AUDIT OPINION

We have audited the attached financial statements of Xi'an Haitian Antenna Technologies Co., Ltd. (hereinafter referred to as Haitian Antenna), including Consolidated and Parent Company's Balance Sheets dated on 31 December 2023, Consolidated and Parent Company's Income Statements, Consolidated and Parent Company's Cash Flow Statements, Consolidated and Parent Company's Statements of Changes in Shareholders' Equity, and related Notes to Financial Statements for 2023.

In our opinion, the attached financial statements present fairly, in all material respects, the consolidated and parent company's financial positions of Haitian Antenna as at 31 December 2023, and its consolidated and parent company's financial performance and cash flows for 2023 in accordance with the Accounting Standards for Business Enterprises.

II. BASIS TO FORM AUDIT OPINION

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

III. MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We remind users of the financial statements to note that as stated in the Note "II.2 Going Concern" to the financial statements, net profit for 2023 is RMB-42,993,598.60, and it continues to suffer losses; at of the end of 2023, the net assets was RMB-30,998,307.23; for 2023, the operating income was RMB13,091,468.20 and the net operating cash flow was RMB-6,683,081.18; at the end of the year, the current liabilities were higher than the total current assets by RMB55,666,342.98. Haitian Antenna disclosed the proposed improvement measures in the notes to the financial statements, but there are still major uncertainties in matters or conditions that may cause major doubts about the ability to operate on an on-going basis. It may not be able to obtain sufficient funds in normal operations to meet the Company's working capital needs. This matter does not affect the issued audit opinion.

IV. KEY AUDIT MATTERS

Key audit matters are the most important matters for the audit of the current financial statements according to our professional judgment. These matters were addressed in the context of our audit for the entire financial statements and the formation of our opinions thereon. We do not declare a separate opinion on these matters. In addition to the matters described in the section headed "Material Uncertainties Related to Going Concern", we have determined that the following matters are key audit matters that need to be communicated in the audit report.

IV. KEY AUDIT MATTERS (Continued)

Key audit matters

Countermeasures in the audit

1. Matter on advanced payments for purchase of land and real estate

As stated in Note V.12 and Note XVI.1 of the financial statements, the book balance of Haitian Antenna's other non-current assets was RMB18,546,000.00 in December 2023, and impairment provisions of RMB14,020,776.00 have been made.

In 2016, Haitian Antenna paid advanced payments of RMB18,546,000.00 to Xi'an Xiangyu Aviation Technology Co., Ltd. (hereinafter referred to as Xiangyu Aviation) to purchase the land and above-ground buildings of Xiangyu Aviation. As of 31 December 2023, the aforesaid land and above-ground building property rights have not been transferred to Haitian Antenna. Based on the implementation status of other legal matters of Xiangyu Aviation, Haitian Antenna's management engaged a lawyer to give professional advice and engaged an independent evaluation agency to evaluate the aforesaid land and above-ground buildings and perform impairment calculation on the above-mentioned advanced payments.

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

We design the following audit procedures:

- (1) Reviewing the legal advice of lawyer engaged by Haitian Antenna on the purchase of land and above-ground buildings to understand the relevant legal relationship and legal consequences.
- (2) Reviewing the evaluation report as at 31 December 2023 prepared by the independent evaluation agency engaged by Haitian Antenna, and evaluating the professional competence of the appraisers and the assumptions and basis for the calculation of the assessed value. We also reviewed the reasonableness of the judgments and estimates adopted by the evaluation agency in calculating the assessed value.
- (3) Reviewing the management's assumptions and basis for further cost on the purchase of land and above-ground attachments, and we reviewed the reasonableness of the judgments and estimates adopted in various parameters.
- (4) Discussing possible signs of impairment of the advanced payments with the management based on the above situation, and reviewing the assessment made by the management on the possible signs of impairment.
- (5) Evaluating the impairment calculations conducted by the management, and reviewing and evaluating the judgments, estimates, and selected valuation methods adopted by the management, and analysing their reasonableness.
- (6) Reviewing the adequacy and completeness of relevant disclosures in the notes to the financial statements.

Audit Report

IV. KEY AUDIT MATTERS (Continued)

Key audit matters

Countermeasures in the audit

2. Matter on impairment of intangible assets

As mentioned in Note V.10 of the financial statements, as of 31 December 2023, the original book value of the patented technology of Suzhou Haitian New Antenna Technologies Co., Ltd., a subsidiary of Haitian Antenna, was RMB63,600,000.00, and the book value was RMB24,700,000.00, which was an important part of the assets of Haitian Antenna. Judgments and impairment tests on the indication of impairment of relevant patented technology are material to the financial statements of Haitian Antenna. The management of Haitian Antenna exercises judgments on the impairment of the patented technology at the end of each year, and introduces external experts to perform impairment tests on the patented technology.

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

We design the following audit procedures:

- (1) Discussing possible signs of impairment with the management and evaluating the impairment tests conducted by the management and appraisers.
- (2) Reviewing the evaluation report prepared by the independent evaluation agency on 31 December 2023, and evaluating the competence, experience and objectivity of external experts. We also discussed with the appraisal experts the valuation method selected in the impairment test and judged its reasonableness.
- (3) We reviewed the expected future annual sales revenue or operating performance of the patent.
- (4) Reviewing the adequacy and completeness of relevant disclosures in the notes to the financial statements.

V. OTHER INFORMATION

Haitian Antenna's management (hereinafter referred to as the management) is responsible for other information. Other information includes the information covered in 2023 annual report of Haitian Antenna, but excludes the financial statements and our audit report.

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

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

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

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

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

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

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

VII. CPAS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AUDIT

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraudulent practices is higher than that resulting from mistakes, as fraudulent practices may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- (3) Assess the appropriateness of adopted accounting policies and the reasonableness of accounting estimates and disclosures made by the management.
- (4) Conclude the appropriateness of the going-concern assumption made by the management. Meanwhile, based on the audit evidence obtained, the conclusion is drawn on whether there is significant uncertainty in the matters or any circumstances that may lead to major doubts about Haitian Antenna's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements; if such disclosures are inadequate, we shall give our unqualified opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, the matter or situation in the future may cause Haitian Antenna to cease to continue as a going concern.

Audit Report

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

- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Haitian Antenna to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit on the Group, and we remain solely responsible for our audit opinion.

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

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

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

ShineWing Certified Public Accountants
(special general partnership)

Certified Public Accountant of China:
(Project partner)

Certified Public Accountant of China:

Beijing, China

28 March 2024

Consolidated Balance Sheet

31 December 2023

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

Unit: RMB

Item	Note	31 December 2023	31 December 2022
Current assets:			
Cash at bank and on hand	V.1	1,991,322.95	2,189,300.39
Settlement reserve		•	•
Loans to banks and other financial institutions		•	•
Financial assets held for trading		•	•
Derivative financial assets		•	•
Notes receivable	V.2	97,000.00	•
Accounts receivable	V.3	7,794,907.92	11,208,820.69
Receivables financing		•	•
Advanced payments	V.4	289,172.02	1,369,250.95
Premiums receivable		•	•
Reinsurance premium receivable		•	•
Reinsurance contract reserves receivable		•	•
Other receivables	V.5	1,390,127.45	1,658,404.47
Of which: Interest receivable		•	•
Dividends receivable		•	•
Financial assets purchased under agreements to resell		•	•
Inventories	V.6	11,730,210.34	13,472,028.86
Contractual assets		•	•
Held-for-sale assets		•	•
Non-current assets due within one year		•	•
Other current assets	V.7	240,720.96	338,281.94
Total current assets		23,533,461.64	30,236,087.30
Non-current assets:			
Loans and advances to customers		•	•
Creditor's right investment		•	•
Other creditor's right investment		•	•
Long-term receivables		•	•
Long-term equity investments		•	•
Other equity instrument investments		•	•
Other non-current financial assets		•	•
Investment properties		—	•
Fixed assets	V.8	4,783,795.07	5,616,018.80
Projects under construction		•	•
Bearer biological assets		•	•
Oil and gas assets		•	•
Right-of-use assets	V.9	929,754.20	4,353,153.73
Intangible assets	V.10	24,792,598.93	42,802,545.67
Development expenditure		•	•
Goodwill		•	•
Long-term deferred expenses		•	•
Deferred income tax assets		•	•
Other non-current assets	V.12	4,525,224.00	9,236,360.44
Total non-current assets		35,031,372.20	62,008,078.64
Total assets		58,564,833.84	92,244,165.94

Consolidated Balance Sheet

31 December 2023

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

Unit: RMB

Item	Note	31 December 2023	31 December 2022
Current liabilities:			
Short-term borrowings	V.14	4,771,159.67	6,600,000.00
Borrowings from the central bank		•	•
Loans from other banks and financial institutions		•	•
Financial liabilities held for trading		•	•
Derivative financial liabilities		•	•
Notes payable		•	•
Accounts payable	V.15	6,983,288.79	6,758,022.06
Advanced receipts	V.16	142,680.00	•
Contractual liabilities	V.17	61,327.43	10,000.05
Financial assets sold under agreements to repurchase		•	•
Deposits from customers and other financial institutions		•	•
Receiving from vicariously traded securities		•	•
Receiving from vicariously underwritten securities		•	•
Payroll payable	V.18	12,587,886.15	8,798,198.78
Taxes payable	V.19	2,255,441.45	2,413,467.67
Other payables	V.20	51,838,968.21	48,945,526.29
Of which: Interest payable		•	31,077.62
Dividends payable		•	•
Fees and commissions payable		•	•
Reinsurance amounts payable		•	•
Held-for-sale liabilities		•	•
Non-current liabilities due within one year	V.21	451,080.35	5,809,739.52
Other current liabilities	V.22	107,972.57	0.00
Total current liabilities		79,199,804.62	79,334,954.37
Non-current liabilities:			
Insurance contract reserves		•	•
Long-term borrowings		•	•
Bonds payable		•	•
Of which: Preferred shares		•	•
Perpetual bonds		•	•
Lease liabilities	V.23	370,161.43	913,920.20
Long-term payables	V.24	9,986,815.75	•
Long-term payroll payable		•	•
Estimated liabilities		•	•
Deferred incomes		•	•
Deferred income tax liabilities	V.11	6,359.27	•
Other non-current liabilities		•	•
Total non-current liabilities		10,363,336.45	913,920.20
Total liabilities		89,563,141.07	80,248,874.57

Consolidated Balance Sheet

31 December 2023

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

Unit: RMB

Item	Note	31 December 2023	31 December 2022
Shareholders' equity:			
Share capital	V.25	189,762,900.00	189,762,900.00
Other equity instruments		•	•
Of which: Preferred shares		•	•
Perpetual bonds		•	•
Capital reserves	V.26	202,569,046.27	202,569,046.27
Less: Treasury shares		•	•
Other comprehensive income		•	•
Special reserves		•	•
Surplus reserves	V.27	16,435,819.34	16,435,819.34
General risk reserves		•	•
Undistributed profits	V.28	-442,207,777.30	-399,227,694.10
Total shareholders' equity attributable to the parent company		-33,440,011.69	9,540,071.51
Minority shareholders' equity		2,441,704.46	2,455,219.86
Total shareholders' equity		-30,998,307.23	11,995,291.37
Total liabilities and shareholders' equity		58,564,833.84	92,244,165.94

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Balance Sheet of Parent Company

31 December 2023

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

Unit: RMB

Item	Note	31 December 2023	31 December 2022
Current assets:			
Cash at bank and on hand		281,565.48	323,744.05
Financial assets held for trading		•	•
Derivative financial assets		•	•
Notes receivable		97,000.00	•
Accounts receivable	XVII.1	5,038,163.93	7,620,688.27
Receivables financing		•	•
Advanced payments		21,460.00	•
Other receivables	XVII.2	45,283,649.93	35,572,253.10
Of which: Interest receivable		•	•
Dividends receivable		•	•
Inventories		4,474,652.36	4,573,066.79
Contractual assets		•	•
Held-for-sale assets		•	•
Non-current assets due within one year		•	•
Other current assets		–	4,109.63
Total current assets		55,196,491.70	48,093,861.84
Non-current assets:			
Creditor's right investment		•	•
Other creditor's right investment		•	•
Long-term receivables		•	•
Long-term equity investments	XVII.3	53,658,068.73	53,658,068.73
Other equity instrument investments		•	•
Other non-current financial assets		•	•
Investment properties		•	•
Fixed assets		1,070,566.04	1,466,740.83
Projects under construction		•	•
Bearer biological assets		•	•
Oil and gas assets		•	•
Right-of-use assets		•	•
Intangible assets		18,525.30	33,345.30
Development expenditure		•	•
Goodwill		•	•
Long-term deferred expenses		•	•
Deferred income tax assets		•	•
Other non-current assets		4,525,224.00	9,236,360.44
Total non-current assets		59,272,384.07	64,394,515.30
Total assets		114,468,875.77	112,488,377.14

Balance Sheet of Parent Company

31 December 2023

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

Unit: RMB

Item	Note	31 December 2023	31 December 2022
Current liabilities:			
Short-term borrowings		3,504,491.67	3,500,000.00
Financial liabilities held for trading		•	•
Derivative financial liabilities		•	•
Notes payable		•	•
Accounts payable		8,261,943.91	1,759,678.25
Advanced receipts		•	•
Contractual liabilities		61,327.43	•
Payroll payable		8,909,508.43	5,759,466.29
Taxes payable		2,008,445.71	1,951,580.59
Other payables		55,123,225.09	46,908,937.40
Of which: Interest payable		•	•
Dividends payable		•	•
Held-for-sale liabilities		•	•
Non-current liabilities due within one year		•	•
Other current liabilities		107,972.57	•
Total current liabilities		77,976,914.81	59,879,662.53
Non-current liabilities:			
Long-term borrowings		•	•
Bonds payable		•	•
Of which: Preferred shares		•	•
Perpetual bonds		•	•
Lease liabilities		•	•
Long-term payables		9,986,815.75	•
Long-term payroll payable		•	•
Estimated liabilities		•	•
Deferred incomes		•	•
Deferred income tax liabilities		•	•
Other non-current liabilities		•	•
Total non-current liabilities		9,986,815.75	-
Total liabilities		87,963,730.56	59,879,662.53

Balance Sheet of Parent Company

31 December 2023

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

Unit: RMB

Item	Note	31 December 2023	31 December 2022
Shareholders' equity:			
Share capital		189,762,900.00	189,762,900.00
Other equity instruments		•	•
Of which: Preferred shares		•	•
Perpetual bonds		•	•
Capital reserves		200,460,762.84	200,460,762.84
Less: Treasury shares		•	•
Other comprehensive income		•	•
Special reserves		•	•
Surplus reserves		16,435,819.34	16,435,819.34
Undistributed profits		-380,154,336.97	-354,050,767.57
Total shareholders' equity		26,505,145.21	52,608,714.61
Total liabilities and shareholders' equity		114,468,875.77	112,488,377.14

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Income Statement

2023

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

Unit: RMB

Item	Note	2023	2022
I. Total operating income		13,091,468.20	20,530,084.65
Of which: Operating income	V.29	13,091,468.20	20,530,084.65
Interest income		•	•
Earned premiums		•	•
Handling fee and commission incomes		•	•
II. Total operating costs		41,019,887.74	50,034,197.49
Of which: Operating costs	V.29	11,034,415.18	14,623,873.53
Interest expenses		•	•
Handling fee and commission expenses		•	•
Cash surrender value		•	•
Net compensation expenses		•	•
Net appropriation of policy reserve		•	•
Policy dividend expenses		•	•
Reinsurance expenses		•	•
Taxes and surcharges	V.30	22,198.02	98,792.79
Selling expenses	V.31	4,258,537.57	5,729,096.90
Administrative expenses	V.32	19,207,691.77	22,162,541.12
R&D expenses	V.33	5,657,550.50	6,578,248.03
Financial expenses	V.34	839,494.70	841,645.12
Of which: Interest expenses		748,580.76	789,815.33
Interest income		3,260.96	8,914.14
Add: Other gain	V.35	107,921.67	230,236.06
Investment gain ("-" for loss)	V.36	1,124.00	793.80
Of which: Gain from investment in associates and joint ventures		•	•
Derecognition gain of financial assets measured at the amortised cost		•	•
Exchange gain ("-" for loss)		•	•
Net exposure hedging income ("-" for loss)		•	•
Gain from changes in fair value ("-" for loss)		•	•
Credit impairment loss ("-" for loss)	V.37	-4,814,347.45	-3,819,137.47
Assets impairment loss ("-" for loss)	V.38	-10,595,654.99	•
Gain from assets disposal ("-" for loss)	V.39	496,279.19	726.68
III. Operating profit ("-" for loss)		-42,733,097.12	-33,091,493.77
Add: Non-operating income	V.40	-	2,841,520.22
Less: Non-operating expenditure	V.41	253,863.87	32,144.37
IV. Total profit ("-" for total loss)		-42,986,960.99	-30,282,117.92
Less: Income tax expenses	V.42	6,637.61	-9,216.46

Consolidated Income Statement

2023

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

Unit: RMB

Item	Note	2023	2022
V. Net profit ("-" for net loss)		-42,993,598.60	-30,272,901.46
(I) By business continuity		-42,993,598.60	-30,272,901.46
1. Net profit from continuing operations ("-" for net loss)		-42,993,598.60	-30,272,901.46
2. Net profit from discontinued operations ("-" for net loss)		•	•
(II) By ownership		-42,993,598.60	-30,272,901.46
1. Net profit attributable to owners of the parent company ("-" for net loss)		-42,980,083.20	-30,124,592.36
2. Minority shareholders' profit and loss ("-" for net loss)		-13,515.40	-148,309.10
VI. Net of tax of other comprehensive income		-	-
Net of tax of other comprehensive income attributable to owners of the parent company		-	-
(I) Other comprehensive income that cannot be reclassified to profit or loss		-	-
1. Changes arising from re-measurement of the defined benefit plans		•	•
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		•	•
3. Changes in fair value of other equity instrument investments		•	•
4. Changes in fair value of the enterprise's credit risk		•	•
5. Others		•	•
(II) Other comprehensive income that will be reclassified to profit or loss		-	-
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		•	•
2. Changes in fair value of other creditor's right investments		•	•
3. Amount of financial assets reclassified to other comprehensive income		•	•
4. Provision for credit impairment of other creditor's right investments		•	•
5. Reserves for cash flow hedge (effective portion of cash flow hedging gain or loss)		•	•
6. Translation difference of foreign currency financial statements		•	•
7. Others		•	•
Net of tax of other comprehensive income attributable to minority shareholders		•	•
VII. Total comprehensive income		-42,993,598.60	-30,272,901.46
Total comprehensive income attributable to shareholders of the parent company		-42,980,083.20	-30,124,592.36
Total comprehensive income attributable to minority shareholders		-13,515.40	-148,309.10
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		-0.0226	-0.0159
(II) Diluted earnings per share (Yuan/share)		-0.0226	-0.0159

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Income Statement of Parent Company

2023

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

Unit: RMB

Item	Note	2023	2022
I. Operating income	XVII.4	7,266,281.94	12,527,823.31
Less: Operating costs	XVII.4	5,348,300.19	9,345,187.75
Taxes and surcharges		16,841.91	31,106.29
Selling expenses		3,149,920.44	4,404,280.58
Administrative expenses		8,807,130.17	10,829,900.96
R&D expenses		5,055,219.90	5,543,845.88
Financial expenses		407,057.86	122,242.41
Of which: Interest expenses		382,569.62	212,730.12
Interest income		577.74	4,092.63
Add: Other gain		107,481.46	100,113.61
Investment gain ("-" for loss)	XVII.5	994,094.18	•
Of which: Gain from investment in associates and joint ventures		•	•
Derecognition gain of financial assets measured at amortised cost		•	•
Net exposure hedging income ("-" for loss)		•	•
Gain from changes in fair value ("-" for loss)		•	•
Credit impairment loss ("-" for loss)		-11,485,560.53	-9,409,925.67
Assets impairment loss ("-" for loss)		•	•
Gain from assets disposal ("-" for loss)		•	•
II. Operating profit ("-" for loss)		-25,902,173.42	-27,058,552.62
Add: Non-operating income		•	1,929,678.12
Less: Non-operating expenditure		201,395.98	•
III. Total profit ("-" for total loss)		-26,103,569.40	-25,128,874.50
Less: Income tax expenses		•	•
IV. Net profit ("-" for net loss)		-26,103,569.40	-25,128,874.50
(I) Net profit from continuing operations ("-" for net loss)		•	•
(II) Net profit from discontinued operations ("-" for net loss)		•	•
V. Net of tax of other comprehensive income		-	-
(I) Other comprehensive income that cannot be reclassified to profit or loss		-	-
1. Changes arising from re-measurement of the defined benefit plans		•	•
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		•	•
3. Changes in fair value of other equity instrument investments		•	•
4. Changes in fair value of the enterprise's credit risk		•	•
5. Others		•	•
(II) Other comprehensive income that will be reclassified to the profit or loss		-	-
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		•	•
2. Changes in fair value of other creditor's right investments		•	•
3. Amount of financial assets reclassified to other comprehensive income		•	•
4. Provision for credit impairment of other creditor's right investments		•	•
5. Reserves for cash flow hedge (effective portion of cash flow hedging gain or loss)		•	•
6. Translation difference of foreign currency financial statements		•	•
7. Others		•	•
VI. Total comprehensive income		-26,103,569.40	-25,128,874.50
VII. Earnings per share		•	•
(I) Basic earnings per share (Yuan/share)		•	•
(II) Diluted earnings per share (Yuan/share)		•	•

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Cash Flow Statement

2023

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

Unit: RMB

Item	Note	2023	2022
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		17,025,406.30	28,681,913.97
Net increase in deposits from customers and other financial institutions		•	•
Net increase of borrowings from the central bank		•	•
Net increase in loans from other financial institutions		•	•
Cash received from premiums of original insurance contract		•	•
Net cash received reinsurance business		•	•
Net increase in deposits and investment amount from policyholders		•	•
Cash received from interests, fees and commissions		•	•
Net increase in loans from other banks and financial institutions		•	•
Net increase in funds for repurchase business		•	•
Net cash from vicariously traded securities		•	•
Refund of taxes and surcharges		–	645,331.33
Other cash received relating to operating activities	V.43	1,288,572.08	1,497,233.47
Subtotal of cash inflows from operating activities		18,313,978.38	30,824,478.77
Cash paid for purchase of goods and receipt of services		9,426,859.76	13,603,357.09
Net increase in loans and advances to customers		•	•
Net increase in deposits with the central bank and other banks		•	•
Cash paid for claim settlements on original insurance contract		•	•
Net increase in lendings to banks and other financial institutions		•	•
Cash paid for interests, fees and commissions		•	•
Cash paid for policy dividends		•	•
Cash paid to and for employees		7,795,474.84	12,391,707.06
Taxes and fee paid		508,819.37	489,446.92
Other cash paid relating to operating activities	V.43	7,265,905.59	14,028,652.56
Subtotal of cash outflows for operating activities		24,997,059.56	40,513,163.63
Net cash flows from operating activities		–6,683,081.18	–9,688,684.86

Consolidated Cash Flow Statement

2023

Item	Note	2023	2022
II. Cash flows from investing activities:			
Cash received from recouping investment		•	2,000.00
Cash received from investment income		•	793.80
Net cash received from disposal of fixed assets, intangible assets and other longterm assets		46,000.00	•
Net cash received from disposal of subsidiaries and other business entities		•	•
Other cash received relating to investing activities		•	•
Subtotal of cash inflows from investing activities		46,000.00	2,793.80
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		484,601.21	990,057.46
Cash paid to acquire investments		•	•
Net increase in pledge loans		•	•
Net cash paid for acquisition of subsidiaries and other business entities		•	•
Other cash paid relating to investing activities		•	•
Subtotal of cash outflows for investing activities		484,601.21	990,057.46
Net cash flows from investing activities		-438,601.21	-987,263.66
III. Cash flows from financing activities:			
Cash received from absorbing investment		•	•
Of which: cash received from minority shareholders' investment in subsidiaries		•	•
Cash received from borrowings		3,500,000.00	3,500,000.00
Other cash received relating to financing activities	V.43	19,970,355.10	13,568,874.97
Subtotal of cash inflows from financing activities		23,470,355.10	17,068,874.97
Cash paid for repayment of debts		5,333,332.00	5,400,000.00
Cash paid for distribution of dividends, profits or repayment of interests		333,363.12	382,333.74
Of which: dividends and profits paid to minority shareholders by subsidiaries		•	•
Other cash paid relating to financing activities	V.43	10,814,380.03	2,896,800.67
Subtotal of cash outflows for financing activities		16,481,075.15	8,679,134.41
Net cash flows from financing activities		6,989,279.95	8,389,740.56
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-69,524.36	47,881.09
V. Net increase in cash and cash equivalents	V.43	-201,926.80	-2,238,326.87
Add: opening balance of cash and cash equivalents	V.43	1,950,687.43	4,189,014.30
VI. Closing balance of cash and cash equivalents	V.43	1,748,760.63	1,950,687.43

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Cash Flow Statement of Parent Company

2023

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

Unit: RMB

Item	Note	2023	2022
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		10,780,328.09	18,594,935.34
Taxes and surcharges refunded		–	179,285.96
Other cash received relating to operating activities		265,459.20	877,125.17
Subtotal of cash inflows from operating activities		11,045,787.29	19,651,346.47
Cash paid for purchase of goods and receipt of services		850,410.34	14,018,890.36
Cash paid to and for employees		4,499,153.45	6,452,378.43
Taxes and surcharges paid		320,518.20	184,340.75
Other cash paid relating to operating activities		6,733,253.69	8,994,021.66
Subtotal of cash outflows for operating activities		12,403,335.68	29,649,631.20
Net cash flows from operating activities		–1,357,548.39	–9,998,284.73
II. Cash flows from investing activities:			
Cash received from disposal of investment		•	•
Cash received from investment gain		•	•
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		•	•
Net cash received from disposal of subsidiaries and other business entities		•	•
Other cash received relating to investing activities		•	•
Subtotal of cash inflows from investing activities		–	–
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		101,161.21	342,983.50
Cash paid for acquisition of investments		•	•
Net cash paid for acquisition of subsidiaries and other business entities		•	•
Other cash paid relating to investing activities		•	•
Subtotal of cash outflows for investing activities		101,161.21	342,983.50
Net cash flows from investing activities		–101,161.21	–342,983.50
III. Cash flows from financing activities:			
Cash received from capital injection		•	•
Cash received from borrowings		3,500,000.00	3,500,000.00
Other cash received relating to financing activities		32,999,201.83	17,477,241.51
Subtotal of cash inflows from financing activities		36,499,201.83	20,977,241.51

Cash Flow Statement of Parent Company

2023

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

Unit: RMB

Item	Note	2023	2022
Cash paid for repayment of debts		3,500,000.00	3,500,000.00
Cash paid for distribution of dividends, profits or repayment of interests		145,522.20	212,730.12
Other cash paid relating to financing activities		31,431,147.30	7,422,530.97
Subtotal of cash outflows for financing activities		35,076,669.50	11,135,261.09
Net cash flows from financing activities		1,422,532.33	9,841,980.42
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-9,546.11	104,393.95
V. Net increase in cash and cash equivalents		-45,723.38	-394,893.86
Add: Beginning balance of cash and cash equivalents		86,334.44	481,228.30
VI. Ending balance of cash and cash equivalents		40,611.06	86,334.44

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Statement of Changes in Shareholders' Equity

2023

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

Unit: RMB

2023															
Shareholders' equity attributable to the parent company															
Item	Share Capital	Preferred shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal	Minority shareholders' equity	Total shareholders' equity
I. Closing balance of last year	189,762,900.00	-	-	-	202,569,046.27	-	-	-	16,435,819.34	-	-399,227,694.10	-	9,540,071.51	2,435,219.86	11,995,291.37
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger of businesses under same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the year	189,762,900.00	-	-	-	202,569,046.27	-	-	-	16,435,819.34	-	-399,227,694.10	-	9,540,071.51	2,435,219.86	11,995,291.37
III. Changes for the year ("+" for increase)	-	-	-	-	-	-	-	-	-	-	-42,980,083.20	-	-42,980,083.20	-13,515.40	-42,993,598.60
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-42,980,083.20	-	-42,980,083.20	-13,515.40	-42,993,598.60
(II) Capital invested and reduction by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Common shares invested by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognised as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Elimination of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year	189,762,900.00	-	-	-	202,569,046.27	-	-	-	16,435,819.34	-	-442,207,777.30	-	-33,440,011.69	2,441,704.46	-30,998,307.23

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Consolidated Statement of Changes in Shareholders' Equity

2023

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

Unit: RMB

Item	2022												Minority shareholders' equity	Total shareholders' equity	
	Shareholders' equity attributable to the parent company														
	Share Capital	Preferred shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal		
I. Closing balance of last year	189,762,900.00	-	-	-	182,569,046.27	-	-	-	16,435,819.34	-	-369,103,101.74	-	19,664,663.87	2,603,528.96	22,268,192.83
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger of businesses under the same control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the year	189,762,900.00	-	-	-	182,569,046.27	-	-	-	16,435,819.34	-	-369,103,101.74	-	19,664,663.87	2,603,528.96	22,268,192.83
III. Changes for the year ("-" for decrease)	-	-	-	-	20,000,000.00	-	-	-	-	-	-30,124,592.36	-	-10,124,592.36	-148,309.10	-10,272,901.46
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-30,124,592.36	-	-30,124,592.36	-148,309.10	-30,272,901.46
(II) Capital invested and reduction by shareholders	-	-	-	-	20,000,000.00	-	-	-	-	-	-	-	20,000,000.00	-	20,000,000.00
1. Common shares invested by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment recognised as shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	20,000,000.00	-	-	-	-	-	-	-	20,000,000.00	-	20,000,000.00
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Elimination of losses by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Retained earnings carried over from changes in defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Retained earnings carried over from other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilisation during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year	189,762,900.00	-	-	-	202,569,046.27	-	-	-	16,435,819.34	-	-399,227,694.10	-	9,540,071.51	2,455,219.86	11,995,291.37

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Statement of Changes in Shareholders' Equity of the Parent Company

2023

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

Unit: RMB

Item	2023											
	Share Capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Closing balance of last year	189,762,900.00	-	-	-	200,460,762.84	-	-	-	16,435,819.34	-354,050,767.57	-	52,608,714.61
Add: Changes in accounting policies	*	*	*	*	*	*	*	*	*	*	*	-
Corrections of prior period errors	*	*	*	*	*	*	*	*	*	*	*	-
Others	*	*	*	*	*	*	*	*	*	*	*	-
II. Opening balance of the year	189,762,900.00	-	-	-	200,460,762.84	-	-	-	16,435,819.34	-354,050,767.57	-	52,608,714.61
III. Changes for the year (*-* for decrease)	-	-	-	-	-	-	-	-	-	-26,103,569.40	-	-26,103,569.40
(I) Total comprehensive income	*	*	*	*	*	*	*	*	*	-26,103,569.40	*	-26,103,569.40
(II) Capital invested and reduction by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
1. Common shares invested by shareholders	*	*	*	*	*	*	*	*	*	*	*	-
2. Capital invested by other equity instrument holders	*	*	*	*	*	*	*	*	*	*	*	-
3. Amount of share-based payment recognised as shareholders' equity	*	*	*	*	*	*	*	*	*	*	*	-
4. Others	*	*	*	*	*	*	*	*	*	*	*	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	*	*	*	*	*	*	*	*	*	*	*	-
2. Distribution to shareholder	*	*	*	*	*	*	*	*	*	*	*	-
3. Others	*	*	*	*	*	*	*	*	*	*	*	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	*	*	*	*	*	*	*	*	*	*	*	-
2. Transfer from surplus reserves to share capital	*	*	*	*	*	*	*	*	*	*	*	-
3. Elimination of losses by surplus reserves	*	*	*	*	*	*	*	*	*	*	*	-
4. Retained earnings carried over from changes in defined benefit plans	*	*	*	*	*	*	*	*	*	*	*	-
5. Retained earnings carried over from other comprehensive income	*	*	*	*	*	*	*	*	*	*	*	-
6. Others	*	*	*	*	*	*	*	*	*	*	*	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	*	*	*	*	*	*	*	*	*	*	*	-
2. Utilisation during the year	*	*	*	*	*	*	*	*	*	*	*	-
(VI) Others	*	*	*	*	*	*	*	*	*	*	*	-
IV. Closing balance of the year	189,762,900.00	-	-	-	200,460,762.84	-	-	-	16,435,819.34	-380,154,336.97	-	26,505,145.21

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Statement of Changes in Shareholders' Equity of the Parent Company

2023

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

Unit: RMB

Item	2022											
	Share Capital	Preferred shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Closing balance of last year	189,762,900.00	•	•	•	180,460,762.84	•	•	•	16,435,819.34	-328,921,893.07	•	57,737,589.11
Add: Changes in accounting policies	•	•	•	•	•	•	•	•	•	•	•	-
Corrections of prior period errors	•	•	•	•	•	•	•	•	•	•	•	-
Others	•	•	•	•	•	•	•	•	•	•	•	-
II. Opening balance of the year	189,762,900.00	-	-	-	180,460,762.84	-	-	-	16,435,819.34	-328,921,893.07	-	57,737,589.11
III. Changes for the year (*-* for decrease)	-	-	-	-	20,000,000.00	-	-	-	-	-25,128,874.50	-	-5,128,874.50
(I) Total comprehensive income	•	•	•	•	•	•	•	•	•	-25,128,874.50	•	-25,128,874.50
(II) Capital invested and reduction by shareholders	-	-	-	-	20,000,000.00	-	-	-	-	-	-	20,000,000.00
1. Common shares invested by shareholders	•	•	•	•	•	•	•	•	•	•	•	-
2. Capital invested by other equity instrument holders	•	•	•	•	•	•	•	•	•	•	•	-
3. Amount of share-based payment recognised as shareholders' equity	•	•	•	•	•	•	•	•	•	•	•	-
4. Others	•	•	•	•	20,000,000.00	•	•	•	•	•	•	20,000,000.00
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves	•	•	•	•	•	•	•	•	•	•	•	-
2. Distribution to shareholder	•	•	•	•	•	•	•	•	•	•	•	-
3. Others	•	•	•	•	•	•	•	•	•	•	•	-
(IV) Internal structure of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to share capital	•	•	•	•	•	•	•	•	•	•	•	-
2. Transfer from surplus reserves to share capital	•	•	•	•	•	•	•	•	•	•	•	-
3. Elimination of losses by surplus reserves	•	•	•	•	•	•	•	•	•	•	•	-
4. Retained earnings carried over from changes in defined benefit plans	•	•	•	•	•	•	•	•	•	•	•	-
5. Retained earnings carried over from other comprehensive income	•	•	•	•	•	•	•	•	•	•	•	-
6. Others	•	•	•	•	•	•	•	•	•	•	•	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	•	•	•	•	•	•	•	•	•	•	•	-
2. Utilisation during the year	•	•	•	•	•	•	•	•	•	•	•	-
(VI) Others	•	•	•	•	•	•	•	•	•	•	•	-
IV. Closing balance of the year	189,762,900.00	-	-	-	200,460,762.84	-	-	-	16,435,819.34	-354,050,767.57	-	52,608,714.61

Legal representative:
Xiao Bing

Financial controller:
Xu Hao

Accounting supervisor:
Jin Shuangfeng

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

I. BASIC INFORMATION OF THE COMPANY

Incorporated and established on 13 October 1999, Xi'an Haitian Antenna Technologies Co., Ltd. (hereinafter referred to as the Company, Haitian Antenna and/or collectively referred to as the Group, if it includes any subsidiary) is a joint stock limited company with limited liabilities (and a listed joint venture co-funded by investors from both Taiwan, Hong Kong, Macao and Mainland China), holding a Business License for Legal Person with a unified credit code numbered as 916101317101664434, issued by the Xi'an Administration for Industry and Commerce, which domicile is located at No. 25 Shuoshi Road, High-tech Industrial Development Zone, Xi'an, legally represented by Xiao Bing, with both registered capital and share capital of RMB189,762,900.

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

The Company belongs to the communication system equipment manufacturing industry and is mainly engaged in the development, production and sales of communication antenna products. Its main products are mobile base station lens antenna, Wi-Fi routers, Wi-Fi router lens antennas and agricultural and sideline products.

These financial statements were approved by the board of directors of the Company on 28 March 2024.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group's financial statements are prepared based on actual transactions and events in accordance with the "Accounting Standards for Business Enterprises" and its application guidelines, interpretations and other relevant regulations promulgated by the Ministry of Finance (hereinafter collectively referred to as the "ASBE"), as well as the Hong Kong Companies Ordinance and relevant disclosure requirements under the GEM Listing Rules of the Hong Kong Stock Exchange.

2. Going concern

The Group's net profit for 2023 was RMB-42,993,598.60, and it continues to suffer losses; at the end of 2023, the net assets were RMB-30,998,307.23; for 2023, the operating income was RMB13,091,468.20 and the net operating cash flow was RMB-6,683,081.18; at the end of the year, the current liabilities were higher than the total current assets by RMB55,666,342.98. These events all indicate the existence of material uncertainties that may cast significant doubts on the Group's ability to operate on a going concern basis. In view of this, the management of the Company has carefully considered the Group's future liquidity, operating conditions and available financing sources to assess whether the Group has sufficient working capital and financing sources to ensure that the Group will operate for 12 months after 31 December 2023. The Group has also implemented a number of measures to improve its financial conditions and reduce liquidity pressure, including:

(1) Expansion of product sales

- 1) In terms of communication base station antennas, in 2023, the Group proactively promoted the completion of delivery for signed contracts and collection of payments; paid attention to the bidding of various telecom operators. As of the approval date of this financial statement, it has won the bids for the lens antennas projects of a provincial company of 中國移動集團有限公司 and a provincial company of China United Network Communications Co., Ltd.; negotiated cooperation with well-known domestic communication equipment manufacturers and planned to participate in the construction of 5G-R wireless communication private network of China State Railway Group Co., Ltd.; negotiated cooperation with a provincial Company of China United Network Communications Co., Ltd., and planned to participate in the construction of "broadband frontier" and "signal upgrade".

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

2. Going concern *(Continued)*

(1) Expansion of product sales *(Continued)*

2) Applications of lens technology in other fields. Combining existing antenna technology, Wi-Fi lens antennas were successfully developed in 2023 and used in various routers. Small batch sales have been achieved to router manufacturers and multiple rounds of communication have been conducted with router customers. Mass production is planned to be achieved in 2024.

(2) Make full use of existing resources and reduce costs

Strengthen expense control. In 2024, the Company will optimize the allocation of assets and human resources, eliminate unnecessary positions, reduce labour costs, dispose of idle assets to recover funds, strengthen expense budgets, and reduce unreasonable or unnecessary expenses.

(3) Financial support from major shareholders

As of the end of this year, Haitian Antenna had debts of RMB8,106,234.78 due to Xiao Bing, a shareholder, RMB7,992,077.64 due to Chen Ji, a shareholder, and RMB8,655,000.00 due to Shanghai Gaoxiang Investment Management Co., Ltd., representing a total of RMB24,753,312.42. The two shareholders promised not to require the Company to repay the amount due in the next 12 months and to provide financial support to the Company when Haitian Antenna encounters financial difficulties.

From 1 January 2024 to 28 March 2024, Xiao Bing has provided financial support of RMB2,241,000.00 to Haitian Antenna.

(4) Proactive communication with lending banks to resolve overdue loans

The Company's subsidiary Suzhou Haitian signed a new repayment agreement with the Dongnan Sub-branch of Jiangsu Changshu Rural Commercial Bank Co., Ltd. for an overdue loan principal of RMB2,417,931.86. The two parties agreed to repay the principal and interest of the loan in 11 instalments from 28 February 2023 to 15 December 2023 in the original agreement. Due to the inability to repay the loan in accordance with the extension agreement, Suzhou Haitian resigned a repayment agreement with the lending bank for the overdue principal in August 2023. The two parties agreed to repay the principal and interest of the loan in 11 instalments from 28 August 2023 to 28 June 2024. Among which, the first instalment is RMB300,000.00, the second to tenth instalments are principal and interest of RMB230,000.00, and the eleventh instalment is RMB145,502.83, for a total amount of RMB2,515,502.83. In 2023, the Company has repaid the principal and interest on schedule in accordance with the agreement. As of 31 December 2023, there was still a short-term loan principal of RMB1,266,668.00.

Based on the abovementioned measures, the management believes that the Company will be able to obtain sufficient working capital to support the Company's operating needs for the foreseeable next twelve months. Accordingly, management believes that the Company and the Company's financial statements are properly prepared on a going concern basis.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

The financial statements conform to the requirements of the accounting standards for business enterprises, and truly, accurately and completely reflect the Company's and the Group's financial position as at 31 December 2023 and the operating results and cash flow for 2023, and other relevant information.

2. Accounting period

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

3. Business cycle

The business cycle of the Group is 12 months.

4. Recording currency

RMB is the recording currency for the Group.

5. Materiality criteria determination method and selection basis

The Group prepares and discloses financial statements in compliance with the materiality principle. The matters disclosed in the notes to the financial statements involve the judgment of materiality standards and the determination methods and selection basis of the materiality standards are as follows:

Disclosures involving materiality criteria judgments	Disclosure of the matters in the notes to these financial statements	Materiality criteria determination method and selection basis
Significant receivables of provisions for bad debts by single item	V. 3	The amount is greater than RMB1 million
Accounts payable aged more than 1 year	V. 15	The amount is greater than RMB500,000
Significant other payables aged more than 1 year or overdue	V. 20	The amount is greater than RMB500,000

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

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

(1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

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

(2) Business combination involving entities not under common control

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination.

If the Group acts as the purchaser, the identifiable assets, liabilities and contingent liabilities acquired by the acquiree in the business combination not under common control are measured at fair value on the acquisition date. Positive balance between the combined cost and the fair value of the identifiable net assets of the acquiree obtained during the combination shall be recognised as goodwill; and if the combined cost is less than the fair value of the identifiable net assets of the acquiree obtained, the fair value of various identifiable assets, liabilities and contingent liabilities obtained in combination and the consolidated costs shall be re-checked first. If the combined cost is still less than the fair value of identifiable net assets of the acquiree obtained, the balance shall be included in the current non-operating revenue.

7. Judgment criteria for control and preparation method of consolidated financial statements

The consolidation scope of the Group's consolidated financial statements is determined on the basis of control, including the Company and all subsidiaries controlled by the Company. The Group's criteria for determining control are that the Group has power over the investee, enjoys variable returns by participating in the investee's relevant activities, and has the ability to use its power over the investee to affect the amount of its returns.

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

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

7. Judgment criteria for control and preparation method of consolidated financial statements *(Continued)*

All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation. Shares in owner's equity of subsidiaries but not attributed to the parent company, net profit and loss for the current period, other comprehensive income and shares attributed to minority interest in total comprehensive income shall be presented in consolidated financial statements as "minority interest, non-controlling interests, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders".

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

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

8. Cash and cash equivalents

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

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

9. Foreign currency business and translation of foreign currency financial statements

(1) Foreign currency transaction

When the Group's foreign currency transactions are initially recognized, the foreign currency amount is converted into the accounting functional currency amount using the spot exchange rate on the date of the transaction. At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rates on the balance sheet date. The translation balance arising from which is directly included in the current profits and losses, except for exchange balances resulting from specific borrowings in foreign currency for purchasing and constructing or producing assets that conforms to capitalisation conditions, and such exchange balances shall be treated as per the principles of capitalisation. Foreign currency non-monetary items measured at historical cost continue to be measured at the amount discounted at the spot exchange rate at the date of the transaction, without changing the amount of its recorded local currency. Non-monetary items in foreign currencies measured at fair value are translated using the spot exchange rate at the date the fair value is determined, and the difference between the recorded local currency amount after translation and the original recorded local currency amount is treated as a change in fair value (including exchange rate changes) and recognised in the current profits and losses. Capital invested in foreign currencies received from investors is converted using the spot exchange rate on the date of transaction. There will be no foreign currency capital conversion difference between the capital invested in foreign currencies and the recorded local currency amount of the corresponding monetary items.

(2) Translation of foreign currency financial statements

The Group converts the financial statements of overseas operations into RMB when preparing consolidated financial statements, among which: items in assets and liabilities of balance sheet in foreign currency are translated at the spot rate of the balance sheet date; except for "undistributed profits", items in ownership interests are translated at the spot rate when transactions occur; and income and expenses in income statements are translated at the spot rate of the date when transactions occur. Translation balance in the foreign currency statements arising from translations above shall be presented in items of other comprehensive income. Foreign currency cash flow shall be translated at the spot rate on the date that cash flow occurs. Amount affected by change in exchange rate on cash shall be listed in the cash flow statement separately.

10. Financial instruments

(1) Recognition and derecognition of financial instruments

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

If the following conditions are met, financial assets will be derecognised, that is, they will be written off from their accounts and balance sheets: 1) the right to receive cash flows from financial assets expires; 2) The right to receive cash flows from financial assets is transferred, or under the "pass-through agreement", the Group assumes the obligation to pay the collected cash flow in full to a third party in a timely manner, and transfers substantially all risks and rewards of ownership of financial assets, or relinquishes control of a financial asset although substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

10. Financial instruments *(Continued)*

(1) Recognition and derecognition of financial instruments *(Continued)*

Financial liabilities are derecognised if the obligation for the financial liability has been performed, canceled or expired. If an existing financial liability is replaced by another financial liability with substantially different terms from the same creditor, or substantially all of the terms of the existing liability are materially modified, such replacement or modification will be treated as derecognition of the original liability and recognition of a new liability, and the difference will be included in the current profit and loss.

Buying and selling financial assets in a regular manner is recognized and derecognized based on transaction date accounting.

(2) Classification and measurement of financial assets

At the time of initial confirmation of the Group's financial assets, according to the business model of financial assets management and the contractual cash flow characteristics of financial assets, the Group classifies financial assets into financial assets measured at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through current profits and losses. Only if the Group changes its business model for managing financial assets, all affected financial assets can be reclassified.

When determining business model, the Group considers the way of enterprise performance evaluation and financial asset achievement reporting to the key management, the risk affecting financial asset performance and its management mode and the way of related business management payment, etc. When evaluating whether to take the contract cash flow as the target, the Group needs to analyze and determine the reason, time, frequency and value of the sale of financial asset before the maturity date.

When judging the contractual cash flow characteristics, the Group needs to determine whether the contractual cash flow only for the principal and the payment of interest on the basis of outstanding principal, including evaluate the correction of time value of money, need to determine whether it has significant difference compared with the benchmark cash flow, to the financial assets including prepayment characteristics, need to determine whether the fair value of the prepayment features is very small, and so on.

Financial assets are measured at fair value upon initial recognition. However, if accounts receivable or notes receivable arising from the sale of goods or provision of services, etc. do not contain a significant financing component or if the financing component that does not exceed one year is not considered, they will be initially measured based on the transaction price.

For financial assets measured at fair value through current profit or loss, the relevant transaction costs are directly included in the current profit and loss, and the relevant transaction costs of other types of financial assets are included in their initial recognition amount.

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

10. Financial instruments *(Continued)*

(2) Classification and measurement of financial assets *(Continued)*

The subsequent measurement of a financial asset depends on its classification:

1) *Financial assets measured at amortised cost*

The Group shall classify the financial assets that meet the following conditions simultaneously into the financial assets measured at amortised cost: ① the business model of the financial assets management takes the collection of contractual cash flow as the objective. ② The contract terms of the financial asset stipulate that, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. The Group's financial assets in this category mainly include: monetary funds, accounts receivable, notes receivable, other receivables, etc.

2) *Debt instrument investments measured at fair value and changes included in other comprehensive income*

If a financial asset meets the following conditions at the same time, it is classified as a financial asset measured at fair value with changes included in other comprehensive income: ① the business model for managing the financial assets is both to collect contract cash flows and for the purpose of selling the financial asset. ② The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. Interest income on such financial assets is recognized using the effective interest rate method. Except for interest income, impairment losses and exchange differences, which are recognized as current profits and losses, other changes in fair value are included in other comprehensive income. When the financial asset is derecognised, the accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to the current profits and losses. The Group's financial assets in this category mainly include: other debt investments and receivables financing.

3) *Equity instrument investments measured at fair value through other comprehensive income*

The Group irrevocably chooses to designate certain non-trading equity instrument investments as financial assets at fair value through other comprehensive income. Once this designation is made, it cannot be revoked. The Group only includes relevant dividend income (except dividend income that is clearly recovered as part of investment costs) into the current profit and loss. Subsequent changes in fair value are included in other comprehensive income, and no impairment provisions are required. When the financial asset is derecognised, the accumulated gains or losses previously recorded in other comprehensive income are transferred from other comprehensive income to the retained earnings. The Group's financial assets in this category are investments in other equity instruments.

4) *Financial assets measured at fair value and changes included in current profits and losses*

The Group will classify the financial assets other than the above financial assets measured at the amortised cost and the financial assets at fair value through other comprehensive income into the financial assets at fair value through current profits and losses. Such financial assets shall be subsequently measured at fair value, and all changes in fair value are included in current profits and losses, except those related to hedging accounting. The Group's financial assets in this category mainly include trading financial assets.

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

10. Financial instruments *(Continued)*

(2) Classification and measurement of financial assets *(Continued)*

4) *Financial assets measured at fair value and changes included in current profits and losses (Continued)*

If the contingent consideration recognized by the Group in a business combination not under common control constitutes a financial asset, the financial asset is classified as a financial asset measured at fair value with changes included in current profits and losses.

Only when accounting mismatches can be eliminated or significantly reduced, the Group will designate financial assets at initial measurement as financial assets at fair value through profit or loss.

(3) Classification, recognition basis and measurement method of financial liabilities

Except for the financial guarantee contracts issued, loan commitments at lower than market interest rates and financial liabilities arising from the transfer of financial assets that do not meet the conditions for derecognition or continued involvement in the transferred financial assets, the Group's financial liabilities are classified as: upon initial recognition: financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. For financial liabilities measured at fair value through profit or loss, related transaction costs are directly included in the current profits and losses. Transaction costs related to financial liabilities measured at amortized cost are included in their initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

1) *Financial liabilities measured at amortized cost*

Financial liabilities measured at amortized cost are subsequently measured based on the amortized cost using the effective interest rate method.

2) *Financial liabilities measured at fair value through current profits or losses*

The financial liability at fair value through current profits and losses (including derivatives that are financial liabilities) is measured subsequently, including financial liabilities held for trading and financial liabilities designated at fair value through current profits and losses when initially recognizing. Trading financial liabilities (including derivatives are financial liabilities) are subsequently measured at fair value, and (except related to hedging accounting) all changes in fair value are included in current profits and losses. For financial liabilities designated as measured at fair value with changes included in current profits and losses, subsequent measurement is based on fair value. Except for changes in fair value caused by changes in the Group's own credit risk, which are included in other comprehensive income, other changes in fair value are included in current profits and losses. If the changes in fair value caused by changes in the Group's own credit risk, which are included in other comprehensive income, will cause or expand the accounting mismatch in profit and loss, the Group will include all changes in fair value (including the amount affected by changes in its own credit risk) into the current profit and loss.

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

10. Financial instruments *(Continued)*

(3) Classification, recognition basis and measurement method of financial liabilities *(Continued)*

2) *Financial liabilities measured at fair value through current profits or losses (Continued)*

Only when one of the following conditions is met, the Group will designate a financial liability at initial measurement as a financial liability at fair value through current profit or loss: ① the designation can eliminate or significantly reduce accounting mismatches; ② formal written risk management or investment strategies have stated that the portfolio of financial instruments is managed, evaluated and reported to key management personnel on a fair value basis; ③ a hybrid instrument that contains one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flows of the hybrid instrument, or the embedded derivative clearly should not be separated from the related hybrid instrument; ④ hybrid instruments containing embedded derivatives that need to be separated but cannot be measured separately at the time of acquisition or at subsequent balance sheet dates.

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

(4) Impairment of financial instruments

The Group performs impairment treatment on financial assets measured at amortized cost, debt investments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and financial guarantee contracts and recognizes loss provisions based on expected credit losses.

The expected credit loss means that the risk of default is the weighted average of credit list of weighted financial instrument. Credit loss refers to the difference between all contractual cash flow receivable according to the contract and discounted according to the original effective interest rate and all cash flow receivable, that is, the present value of all cash shortages. The Group considers the following factors in measuring the expected credit losses of financial instruments: ① an unbiased probabilistic weighted average amount determined by evaluating a range of possible outcomes; ② time value of money; ③ reasonable and evidence-based information about past events, current conditions and projections of future economic conditions that can be obtained at the end of the reporting period without unnecessary additional cost.

The Group assesses the expected credit losses of financial instruments on an individual and collective basis. When assessing on a collective basis, the Group divides financial instruments into different groups based on common credit risk characteristics. The Group divides financial instruments into different groups based on common risk characteristics. Common credit risk characteristics adopted by the Group include: type of financial instrument, credit risk rating, geographical location of the debtor, industry of the debtor, overdue information, aging of accounts receivable, etc.

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

10. Financial instruments *(Continued)*

(4) Impairment of financial instruments *(Continued)*

The Group's use of the expected credit loss model to assess the impairment of financial instruments and contract assets requires significant judgments and estimates, and all reasonable and evidence-based information, including forward-looking information, shall be considered. When making these judgments and estimates, the Group infers expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimations may affect the provision of impairment, and the impairment provisions that have been made may not be equal to the actual amount of future impairment losses.

1) *Impairment testing method for notes receivable*

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(4) Impairment of financial instruments (Continued)

2) Impairment testing method of accounts receivable

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

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

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

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

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(4) Impairment of financial instruments (Continued)

2) Impairment testing method of accounts receivable (Continued)

As per the actual credit losses of previous years, taking into account the forward-looking information of the year, the Group implements the following accounting estimation policy for measuring expected credit losses:

Aging	Expected credit loss rate of accounts receivable (%)
Within 1 year (including 1 year, the same below)	3.00
1-2 years	10.00
2-3 years	20.00
3-4 years	60.00
4-5 years	80.00
Over 5 years	100.00

3) Impairment testing method for other receivables

The Group measures loss allowance for other receivables according to the following circumstances: ① the Group measures loss allowance for the financial assets the credit risk of which has not significantly increased since initial recognition based on the amount of expected credit loss for the next 12 months; ② the Group measures loss allowance for the financial assets the credit risk of which has significantly increased since initial recognition based on the amount of expected credit loss during the lifetime of the financial instrument; ③ the Group measures loss allowance for the financial assets which have been credit-impairment since purchase or origination based on the amount of expected credit loss during the lifetime of the financial assets.

Assessment on a collective basis. For other receivables, the Group cannot obtain sufficient evidence of significant increase in credit risk at a reasonable cost at the level of individual instruments, and it is feasible to evaluate whether credit risk increases significantly on a collective basis. Therefore, the Group classifies other receivables according to the type of borrowers and date of initial recognition as a common risk characteristic and considers whether credit risk increases significantly on a collective basis.

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

10. Financial instruments *(Continued)*

(5) Recognition basis and measurement method of financial asset transfer

For financial asset transfer transactions, if the Group has transferred substantially all risks and rewards of ownership of the financial asset to the transferee, the financial asset will be derecognised. If it retains substantially all the risks and rewards of ownership of a financial asset, the financial asset will not be derecognised. If it has neither transferred nor retained substantially all risks and rewards of ownership of the financial asset, has given up control of the financial asset, has terminated the recognition of the financial asset and recognized the resulting assets and liabilities, and has not given up control of the financial asset, the relevant financial assets will be recognized according to the extent of its continued involvement in the transferred financial assets, and the relevant liabilities will be recognized accordingly.

If the entire transfer of the financial assets meets the derecognition conditions, the difference between the book value of transferred financial asset on the date of derecognition and the sum of consideration received from the transfer and the amount originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognised part (the financial assets involved in the transfer also meet the following conditions: ① the Group's business model for managing this financial asset is to both collect contractual cash flows and sell the financial asset; ② the contractual terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of interest based on the principal amount and the outstanding principal amount) shall be included in the current profits and losses.

If the partial transfer of the financial assets meets the derecognition conditions, the entire book value of the transferred financial assets shall be amortised at their own relative fair values between the derecognised part and the under recognised part, and the difference between the sum of consideration received from the transfer and the amount which should be amortised to the derecognised part, originally included in other comprehensive income directly and that the accumulative amount of change in fair value corresponds to the derecognised part (the financial assets involved in the transfer also meet the following conditions: ① the Group's business model for managing this financial asset is to both collect contractual cash flows and sell the financial asset; ② the contractual terms of the financial assets stipulate that, the cash flow generated on a specific date is only the payment of interest based on the principal amount and the outstanding principal amount) and the entire book value of the aforesaid financial assets amortised shall be included in the current profits and losses.

If the Company continues to be involved by providing financial guarantees for the transferred financial assets, the assets formed by the continued involvement will be recognized based on the lower of the book value of the financial assets and the financial guarantee amount. The amount of financial guarantee refers to the maximum amount that will be required to be repaid out of the consideration received.

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

10. Financial instruments *(Continued)*

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

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

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

(7) Offsetting of financial assets and financial liabilities

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

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

11. Inventories

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

Inventories are initially measured at cost. Inventory costs include purchase costs, processing costs and other costs. The perpetual inventory system is adopted for inventories. Actual cost is calculated using weighted average method when the inventories are acquired or sent out.

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

At the end of the reporting period, inventories are measured at the lower of cost and net realisable value. If the inventory cost is higher than its net realizable value, a provision for inventory depreciation is made and included in the current profit and loss. Net realizable value refers to the estimated selling price of inventory in daily activities minus the estimated costs to be incurred upon completion, estimated sales expenses and related taxes.

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

The provision for inventory impairment of other raw materials and auxiliary materials in large quantity and at low unit prices shall be made by category. The net realisable values thereof shall be recognised at the balance after the estimated selling price of such inventories deducts the estimated sales expenses and relevant taxes.

12. Contractual assets and contractual liabilities

(1) Contractual assets

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

For the details of determination method and accounting treatment of expected credit loss of contractual assets, please refer to the above related contents of Note III, 10.

Notes to the Financial Statements

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

12. Contractual assets and contractual liabilities *(Continued)*

(2) Contractual liabilities

Contract liabilities reflect the obligation of the Group to transfer goods to customers due to the consideration received or receivable by the Group. Before the Group transfers the goods to the customer, the customer has already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration. The Group confirms the contract liability according to the amount received or receivable, at the earlier of the actual payment and the due payment due by the customer.

13. Assets in relation to contract cost

(1) Determination method of assets related to contract costs

The Group's assets related to contract costs include contract performance cost and contract acquisition costs. Based on their liquidity, contract performance costs are presented in inventories and other non-current assets respectively, and contract acquisition costs are presented in other current assets and other non-current assets respectively.

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

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

(2) Amortisation of assets related to contract costs

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

(3) Impairment of assets related to contract costs

If the book value of the Group's assets related to contract costs is higher than the difference between the following two items, the Group will make impairment provisions for the excess and recognize it as asset impairment losses: ① the remaining consideration that the enterprise is expected to obtain due to the transfer of the commodities related to the asset; ② the estimated costs due to the transfer of the relevant commodity.

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

14. Long-term equity investments

The long-term equity investment of the Group includes investment in subsidiaries, investment in associates and equity investment in joint ventures.

(1) Judgment of significant influence and joint control

The Group's equity investments that have a significant influence on the investee are investments in associates. Significant influence means that the Group has the power to participate in decision-making on the financial and operating policies of the investee, but it is not able to control or jointly control the formulation of these policies with other parties. It is generally considered that the Company, when holding, directly or through subsidiaries, more than 20% (included) but less than 50% of the voting right of the investee, has a significant influence on the investee, unless there is clear evidence that the Group cannot participate in the production and operation decisions of the invested unit or form control over the invested unit. When the Group holds less than 20% voting right of the investee, if the Group has representatives sent to the board of directors or similar authority body in the investee, or participate in formulation of financial and operating policies of the investee, significant transaction happened with the investee, or dispatch managers to the investee or providing key technical data to the investee, etc. (or taking into account multiple of the above facts and circumstances), the Group believes that it has a significant impact on the invested unit.

Equity investments in which the Group and other joint venture parties jointly control the investee and have rights to the net assets of the investee are investments in joint ventures. Joint control refers to joint control over an arrangement according to relevant agreements, and the related activities of the arrangement can only be decided after the consensus of the parties sharing the control. The Group's basis for judging joint control is that all participants or combinations of participants collectively control the arrangement, and decisions on activities related to the arrangement must be unanimously agreed upon by the participants who collectively control the arrangement.

(2) Accounting treatment method

The Group initially measures long-term equity investments acquired based on the initial investment cost.

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

For long-term equity investment obtained through business combination not under common control, consolidated cost shall be recognised as initial investment cost. As to business combination not under common control obtained step by step through multiple transactions, if it is not a package deal, the sum of book value of equity investment originally held and new investment cost is taken as the initial investment cost.

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

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

(2) Accounting treatment method *(Continued)*

Except long-term equity investment obtained through business combination, for those obtained by cash, purchase amount actually paid and fees, taxes and other necessary expenses directly related to obtaining long-term equity investment shall be used as its initial investment amount; for those obtained through issuing equity security, the fair value of equity security issued shall be used as the initial investment cost. For long-term equity investments obtained through debt restructuring by assets repaying debts, the initial investment cost shall be based on the fair value of the relinquished claims and taxes and other costs directly attributable to the investment. For long-term equity investments obtained in exchange for non-monetary assets, the initial investment cost is the fair value/book value of the assets exchanged and related taxes.

The Group's investments in subsidiaries are accounted for using the cost method in individual financial statements. When using the cost method, long-term equity investments are valued at the initial investment cost. When additional investment is made, the book value of the long-term equity investment cost is increased based on the fair value of the cost paid for the additional investment and the related transaction costs incurred. Cash dividends or profits that the investee declares to distribute shall be recognised as the current investment profits as per the amount enjoyed.

The Group's investments in joint ventures and associates are accounted for using the equity method. When adopting the equity method, if the initial investment cost of long-term equity investments is greater than the fair value share of identifiable net assets of the invested entity, the book value of long-term equity investments shall not be adjusted; if the initial investment cost of long-term equity investments is less than the fair value share of the identifiable net assets of the invested entity, the difference is adjusted to the book value of the long-term equity investment and is included in the current profit and loss of the investment.

For long-term equity investment subsequently measured by equity method, during the investment holding period, the book value of long-term equity investment shall be accordingly increased or decreased as the owner's equity of the investee changes. Wherein, the Company shall, as per the Group's accounting policy and period, offset the unrealized internal transaction gains and losses arising from transactions with associates and joint ventures that do not constitute business, calculate the portion attributable to the Group according to its share (if the internal transaction loss is an asset impairment loss, the full amount is recognised), and adjust and recognize the net profit of the investee. The Group recognizes the net loss incurred by the investee until the book value of the long-term equity investment and other long-term interests that essentially constitute the net investment in the investee are reduced to zero, except where the Group has the obligation to bear additional losses.

On the disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment gain for the period.

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

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

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

(2) Accounting treatment method *(Continued)*

If the remaining equity after disposing of part of the equity is still accounted for using the equity method, the relevant other comprehensive income accounted for by the original equity method shall be treated on the same basis and carry forward proportionately as the investee's direct disposal of related assets or liabilities. The owner's equity recognised by changes in other owner's equity other than profit and loss, other comprehensive income and profit distribution shall be proportionately carried forward to current investment income.

If the joint control or significant influence over the investee is lost due to the disposal of part of the equity, and the remaining equity after disposal is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai 2017 No. 7), the difference between the fair value of the remaining equity on the date when joint control or significant influence is lost and the book value is included in the current profit and loss.

When the Company loses the control over the investee for disposal of partial long-term equity investments, the accounting method shall be changed to equity method if the remaining shares after disposal still have joint control or significant influence on the investee, with the balance between the book value of equity to be disposed and consideration of disposal included in the investment gain. While the remaining shares after disposal do not have joint control or significant influence on investee anymore, the accounting treatment shall be conducted as per Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai 2017 No. 7) and the difference between fair value and book value on the date of losing the control shall be included in the current losses and profits.

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

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

15. Fixed assets

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

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

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

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

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

16. Projects under construction

The cost of projects under construction is determined based on actual project expenditures, including various necessary project expenditures incurred during the construction period, borrowing costs that should be capitalized before the project reaches its intended usable state, and other related expenses.

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

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

17. Borrowing costs

The Group capitalizes the borrowing costs directly attributable to the construction or production of assets that meet the capitalization conditions and includes them in the cost of the relevant assets. Other borrowing costs are included in the current profits and losses. The assets determined by the Group to qualify for capitalization include fixed assets, investment properties and inventories that require more than 1 year of acquisition or construction to be ready for intended use or selling shall be capitalised when the expenditures of the assets and the borrowing costs incurred and acquisition or construction activities necessary for making the assets be ready for intended use or selling to begin. When the assets meeting the capitalisation requirements are acquired or constructed to be ready for intended use or selling, the capitalisation shall be terminated, and the borrowing costs incurred subsequently shall be included in the current profits and losses. If assets satisfying capitalisation conditions are suddenly suspended in acquisition or construction for more than three months continuously, the capitalisation of the borrowing costs shall be suspended until the restart of acquisition or construction of the assets.

In each accounting period within the capitalization period, the Group recognizes the capitalized amount of borrowing costs according to the following method: if a special loan is borrowed, the actual incurred interest costs in current period shall be determined after the interest income from deposits in banks or investment income from temporary investment with the unused borrowings is deducted from it. General borrowings shall be determined by multiplying the weighted average of the excess of the accumulated asset expenditures over the asset expenditures of special borrowings with the capitalisation rate of general borrowings used. The capitalisation rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

18. Intangible assets

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

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

18. Intangible assets *(Continued)*

(1) Useful life and its basis for determination, estimation, amortization method or review procedure

The Group's patented technologies and other intangible assets are amortized on an average basis over their estimated useful lives from the date of acquisition to the maturity date. Intangible assets such as non-patented technology, prototype in development and software shall be amortised at average as per the shortest one of the estimated service life, benefit year stipulated in the contract and effective service life stipulated by law. Amortised amount shall be included in related asset cost and current profits and losses as per the benefit object. The Company rechecks the expected service life and amortisation method of intangible assets with uncertain service life at the end of each year. In case of any change, it shall be treated as changes in accounting evaluation for handling. The classified amortisation life of the Group's intangible assets is as follows:

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

(2) Scope of aggregation of R&D expenses and related accounting treatment methods

The scope of the Group's R&D expenses includes employee salaries of research and development personnel, direct investment expenses, depreciation and amortization expenses, design expenses, equipment commissioning expenses, commissioned external research and development expenses, and other expenses, etc.

Depending on the nature of internal research and development project expenditures and whether there is greater uncertainty in the eventual formation of intangible assets from research and development activities, the Group divides them into research phase expenditures and development phase expenditures

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

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

18. Intangible assets *(Continued)*

(2) Scope of aggregation of R&D expenses and related accounting treatment methods *(Continued)*

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

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

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

The Group's development expenditures on new products (technologies) resulting from product (technology) upgrades and improvements based on the original technology platform are included in the current profit and loss when incurred.

19. Impairment of long-term assets

The Group re-examines long-term equity investment, investment properties measured using the cost model, fixed assets, project under construction, right-of-use assets, intangible assets with limited useful life and other items at each balance sheet date. When there is any indication of impairment, the Group performs an impairment test. Goodwill, intangible assets with indefinite useful lives, and development expenditures that have not yet reached their intended usable state are subject to impairment testing at the end of each year regardless of whether there are signs of impairment.

When the Group conducts impairment testing, it determines its recoverable amount based on the higher of the net amount of the asset's fair value minus disposal costs and the present value of the asset's expected future cash flows. After the impairment test, if the book value of the asset exceeds its recoverable amount, the difference is recognized as an impairment loss.

The Group estimates the recoverable amount on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the Group determines the recoverable amount of the asset group to which the asset belongs. The identification of an asset group is based on whether the main cash inflow generated by the asset group is independent of the cash inflows of other assets or asset groups.

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

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

The net amount of fair value less disposal expenses is determined by referring to the sales agreement price or observable market price of similar assets in an arm's length transaction, less the incremental costs directly attributable to the disposal of the asset. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or asset group and select an appropriate discount rate to determine the present value of future cash flows.

Upon confirmation, the above asset's impairment loss will not be reversed in subsequent accounting periods.

20. Long-term deferred expenses

The Group's long-term deferred expenses include decoration expenses and other expenses that have been paid by the Group but should be amortized in the current period and subsequent periods for more than one year. Such expenses shall be equally amortised in the benefit period. If the long-term deferred expenses items will not benefit the future accounting period, the amortised value of unamortised items shall all be transferred to the current profit or loss.

21. Employee compensation

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

Short-term compensation mainly includes employee wages, bonuses, allowances and subsidies, employee benefits, social insurance premiums such as medical insurance premiums, work-related injury insurance premiums and maternity insurance premiums, housing provident funds, union funds and employee education funds, short-term paid absenteeism, short-term profit-sharing plans, non-monetary benefits, and other short-term pay, etc. During the accounting period when employees provide services, the actual short-term compensation is recognised as liability and included in the current profit and loss or the cost of related assets according to the beneficiary.

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

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

21. Employee compensation *(Continued)*

(1) Domestic companies affiliated to the Group

The Group participates in the pension insurance and unemployment insurance plans established by government agencies as required. According to the regulations of these plans, the Group pays 16% and 0.7% (2022: 16% and 0.7%) of the basic wages of employees to such plans on a monthly basis, respectively. Wait for the plan to pay the fee. In addition to the above-mentioned deposit fees, the Group will not undertake any further payment obligations, nor can it use the forfeited contributions. Corresponding expenses are included in the current profit and loss or related asset costs when incurred.

(2) Hong Kong company affiliated to the Group

The Group's companies established in Hong Kong participate in the Mandatory Provident Fund Scheme ("MPF Scheme"), to which the Group contributes 5% (2022: 5%) of the basic salaries of its employees, and the assets of the MPF Scheme are held separately from those of the Group in a fund controlled by the trustee. Contributions made by the Company to the MPF Scheme will be received by employees in accordance with statutory requirements and the terms of the scheme. If an employee leaves the MPF Scheme before the contributions have reached full vesting, the future amount payable by the Group to the MPF Scheme will be reduced by the amount forfeited to the MPF Scheme. There are no forfeited MPF scheme amounts for the year (2022: Nil) and year end date (2022: Nil).

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

Other long-term employee benefits refer to the employee benefits except for short-term benefits, postemployment benefit and dismissal benefit, including long-term compensated absences, long-term disability benefit, long-term profit sharing plan, etc.

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

22. Estimated liabilities

An obligation related to a contingency, such as guarantees provided to outsiders, pending litigations or arbitrations, product warranties, redundancy plan, onerous contract, reconstructing, expected disposal of fixed assets, and etc. shall be recognised as a provision when all of the following conditions are satisfied: the obligation is a present obligation of the Group; it is probable that an outflow of economic benefits will be required to settle the obligation; the amount of the obligation can be measured reliably.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. The Group reviews the current best estimates and adjusts the book value of estimated liabilities on the balance sheet date.

The contingent liabilities of the acquiree acquired in the business combination not involving enterprises under common control are measured at fair value at initial recognition. After initial recognition, contingent liabilities are subsequently measured by the higher of the amount that would be recognised based on provisions and the balance of the amount initially recognised less the cumulative amortisation determined by the income recognition principle.

23. Revenue recognition principles and measurement

The Group recognises revenue when it has fulfilled its performance obligations in the contract, that is, when the customer has obtained control of the related goods or services. Obtaining control over relevant goods or services means being able to direct the use of the goods or the provision of the services and obtain almost all economic benefits from them.

The Group's operating income mainly includes income from sales of goods, income from provision of labor services, and income from trade.

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

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

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

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

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

- (1) The customer obtains and consumes the economic benefits brought by the Group's performance while the Group is performing.
- (2) The customer can control the products under production during the Group's performance.
- (3) The goods produced during the performance of the Group have irreplaceable uses, and the Group has the right to receive payment for the part of performance that has been completed so far during the entire contract period.

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

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

- (1) The Group has the current right to receive payment for the goods or services.
- (2) The Group has transferred the legal ownership of the product to the customer.
- (3) The Group has transferred the physical object of the product to the customer.
- (4) The Group has transferred the main risks and rewards of ownership of the goods to the customers.
- (5) The customer has accepted the goods or services.

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

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

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

(1) Income from sales of goods

The Group is mainly engaged in the production and sales of communication antenna products. The specific principle for recognizing revenue from the sales of goods by the Group is to recognize revenue at the point when the customer obtains control of the relevant goods. The sales contracts between the Group and its customers usually stipulate that the time point for the transfer of control rights of the products is when the products are shipped and finally accepted by the customer.

(2) Income from providing labor services

The Group's income from providing labor services is mainly income from entrusted processing of labor services. The specific recognition principle of the Group's income from providing labor services is that the revenue is recognized when the customer obtains control of the service. In the entrusted processing agreement between the Group and its customers, it is usually stipulated that if the entrusted processing materials pass the inspection and are delivered to the customer, the transfer of control rights will be deemed.

(3) Trading income

The trading business of the Group specifically includes the sales of agricultural and sideline products.

The agricultural and sideline products trading business engaged in by the Group involves the participation of third parties. Because the Group obtains control of goods from a third party and then transfers them to customers, it assumes the main responsibility for transferring goods to customers and assumes inventory risks during the transaction process, and has the right to independently determine the price of the commodities being traded, so the Group's identity in the transaction is the main responsible person. Trading revenue is recognized based on the total consideration that the Group is expected to be entitled to receive as agreed in the contract. The Group recognizes revenue from the sale of goods after the goods are shipped and confirmed by the customer's signature.

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

24. Government subsidy

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

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

The asset-related government subsidies are used to write down the book value of the related assets or recognised as deferred incomes. Asset-related government subsidies recognised as deferred incomes are charged to profit or loss for the current period in stages over the service life of the relevant asset in a reasonable manner. Where the relevant asset is sold, transferred, scrapped or damaged before the end of its service life, the unappropriated balance of the relevant deferred incomes is charged to the profit or loss of the asset disposal period.

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

If the Group obtains preferential policy loan interest discounts, distinguish the government's appropriation of the interest subsidy to the lending bank and direct appropriation of such subsidy to the Group, accounting treatment shall be carried out according to the following principles: (1) where the interest subsidies are appropriated from the fiscal funds to the lending bank and then the bank provides loans to Group at a policy-based preferential interest rate, the Group will recognize the amount of borrowings received as the initial value and calculate the borrowing costs according to the principal amount and the policy-based preferential interest rate. (Or if the fair value of the loan is used as the book value of the loan and the borrowing costs are calculated according to the effective interest rate method, the difference between the actual amount received and the fair value of the loan is recognized as deferred income. Deferred income is amortized using the effective interest rate method over the duration of the loan to offset related borrowing costs.); (2) where the interest subsidies are paid directly to the Group, the Group will use such interest subsidies to offset the corresponding borrowing costs.

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

25. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognised based on the difference between tax bases and carrying amounts of assets and liabilities (temporary differences), and calculated and recognised based on the (temporary difference) arise from the difference between the tax base of an item that is not recognized as an asset or liability but whose tax base can be determined in accordance with tax laws and its book value.

The Group recognizes deferred income tax liabilities for all taxable temporary differences except in the following situations: (1) temporary differences arise from the initial recognition of goodwill or the initial recognition of assets or liabilities arising from transactions other than business combinations that affect neither accounting profits nor taxable income (or deductible losses); (2) for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, the Group is able to control the timing of the reversal of the temporary differences and the temporary differences are likely not to be reversed in the foreseeable future.

To the extent that it is probable that future taxable profit will be available to deduct from the deductible temporary difference, deductible losses and tax credits, the Group recognizes deferred income tax assets for deductible temporary differences, deductible losses and tax credits arising except in the following situations: (1) temporary differences arise from the initial recognition of assets or liabilities arising from transactions other than business combinations that affect neither accounting profits nor taxable income (or deductible losses); (2) deductible temporary differences related to investments in subsidiaries, associates and joint ventures cannot meet the following conditions at the same time: the temporary difference is likely to be reversed in the foreseeable future, and it is likely that taxable income will be obtained in the future that can be used to offset the deductible temporary difference.

The Group recognizes deferred income tax assets for all unused deductible losses to the extent that it is probable that sufficient taxable income will be available against which the deductible losses can be utilized. Management uses a lot of judgment to estimate the time and amount of taxable income in the future, and combines tax planning strategies to determine the amount of deferred income tax assets that should be recognized, so there is uncertainty.

At balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates for the period when the asset is expected to be realized or the liability is expected to be settled.

When the following conditions are met at the same time, the Group will present the deferred income tax assets and deferred income tax liabilities as the net amount after offsetting: the Group has the legal right to settle current income tax assets and current deferred income tax liabilities on a net basis; deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax collection and administration department on the same taxpayer or different tax entities, but in each future period when significant deferred income tax assets and deferred income tax liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and current income tax liabilities on a net basis or to obtain assets and pay off debts at the same time.

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

26. Lease

(1) Identification of lease

On the contract commencement date, the Group evaluates whether the contract is a lease or includes a lease. A contract is a lease or includes a lease if one party to the contract has surrendered the right to control the use of one or more identified assets within a certain period of time in exchange for consideration.

Where the contract includes multiple separate leases, the Group splits the contract and carries out accounting treatment for each separate lease. Where the contract includes both leased and nonleased parts, the Group separates the leased and non-leased parts for accounting treatment. Each leasing part is accounted for in accordance with the leasing standards, and the non-lease part is accounted for in accordance with other applicable accounting standards for enterprises./ If the contract contains both lease and non-lease components, the Group, as the lessor, will separate the lease and non-lease components and conduct accounting treatment separately. Each leasing part is accounted for in accordance with the leasing standards, and the non-lease part is accounted for in accordance with other applicable accounting standards for enterprises. As a lessee, the Group chooses not to separate the lease and non-lease parts, but merges each lease part and its related non-lease parts into leases, and performs accounting treatment in accordance with the lease standards. However, if the contract includes embedded derivatives that should be separated, the Group will not combine them with the lease component for accounting treatment.

When the Group evaluates whether it is reasonably certain to exercise the lease renewal option, it comprehensively considers all relevant facts and circumstances that will bring economic benefits to the Group from the exercise of the lease renewal option, including anticipated changes in facts and circumstances between the lease commencement date and the option exercise date. On the commencement date of the lease period, if the Group believes that the contract terms and conditions during the renewal option period are more favorable compared to the market price, or during the contract period, the Group has made or is expected to make major improvements to the leased assets, the leased assets are important to the Group's operations and it is difficult to obtain suitable replacement assets, then the Group can reasonably determine that it will exercise the lease renewal option, therefore, the lease term includes the period covered by the lease renewal option. After the commencement date of the lease period, if a major event or change occurs within the control of the Group and affects whether the Group can reasonably determine whether to exercise the corresponding lease renewal option, the Group will re-evaluate whether to exercise the lease renewal option and modify the lease term based on the re-evaluation results.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Lease (Continued)

(2) The Group as the lessee

1) Lease confirmation

Except for short-term leases and leasing of low-value assets, at the beginning of the lease term, the Group recognises the right-of-use assets and lease liabilities for the lease.

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee and is initially measured at cost. The cost includes: ① the amount of the initial measurement of the lease liability; ② any lease payments made at or before the commencement date (less any lease incentives received); ③ any initial direct costs incurred by the lessee; ④ an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (except for the production of inventory). If the Group re-measures lease liability in accordance with the relevant provisions of the lease standards, the book value of the right-of-use assets shall be adjusted accordingly.

The Group depreciates the right-to-use asset by the straight-line method based on the expected consumption mode of economic benefits related to the right-to-use asset. If the ownership of lease asset can be reasonably confirmed to be acquired at the expiration of lease term, the depreciation shall be carried out within the remaining service life of lease asset; otherwise, the depreciation shall be carried out within the remaining lease term or the service life of lease asset, whichever is shorter. The depreciation amount for provision is included in the cost of underlying assets or the current profits and losses according to the use of the right-to-use asset.

The Group initially measures the lease liabilities according to the present value of the lease payment which is not made at the commencement of the lease term. Lease payment includes ① fixed payment and substantial fixed payment, of which the amount related to lease incentive shall be deducted if there is lease incentive; ② variable lease payment depending on index or ratio; ③ exercise price of purchase option when the Group reasonably determines to exercise purchase option; ④ payment made for exercising the option to terminate the lease when the lease term reflects that the Group exercises such option; ⑤ amount expected to be paid according to the guaranteed residual value provided by the Group.

In calculating the present value of the lease payments, the Group uses the intrinsic lease rate as the discount rate, where the intrinsic lease rate cannot be determined by the Group, the incremental borrowing rate as the discount rate. The Group calculates the interest expense of the lease liability for each period during the lease term at a fixed periodic interest rate and records it in the current profits and losses, except those that should be capitalized.

After the start date of the lease period, when the Group recognizes the interest on the lease liability, it increases the carrying amount of the lease liability. When a lease payment is made, the carrying amount of the lease liability is reduced. When the actual fixed payment amount changes, the estimated amount payable of the guaranteed residual value changes, the index or ratio used to determine the lease payment changes, the evaluation results or actual exercise of the purchase option, lease renewal option or termination option change, the Group remeasures the lease liability based on the present value of the changed lease payments.

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

26. Lease *(Continued)*

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

2) Lease changes

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

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

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

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

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

4) Sale and leaseback

As the seller and lessee in the sale and leaseback transaction, the Group evaluates whether the transfer of the relevant underlying assets constitutes a sale. If the Group determines that it does not constitute a sale, the Group continues to recognize the transferred assets and at the same time recognize a financial liability equal to the transfer income. If it constitutes a sale, the Group measures the right-of-use asset resulting from the sale and leaseback at the portion of the book value of the original asset that relates to the right of use acquired through leaseback, and recognises gain or loss only on the right transferred to the lessor.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

26. Lease *(Continued)*

(3) The Group as the lessor

As a lessor, if a lease transfers substantially all the risks and rewards related to the ownership of the leased asset, the Group classifies the lease as a finance lease, otherwise it is classified as an operating lease.

1) *Financial lease*

At the beginning of the lease term, the Group recognises financial lease receivables for financial leases and ceases to recognise financial lease assets. When the Group performs the initial measurement of financial lease receivables, the net lease investment is used as the entry value of the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease proceeds that have not been received at the beginning of the lease term, discounted at the interest rate implicit in the lease. The Group calculates and recognises interest income for each stage in the lease term at a fixed periodic interest rate. Variable lease payments obtained by the Group that are not included in the measurement of net lease investment are included in the current profit and loss when actually incurred.

2) *Operating lease*

In each stage of the lease term, the Group adopts systematic and reasonable methods to recognise the lease receipts from operating leases as rent incomes.

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

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

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

3) *Sale and leaseback*

As the buyer and lessor in a sale and leaseback transaction, if the control of the relevant underlying assets has not been transferred to the Group, the Group will not recognize the transferred assets, but will recognize a financial asset equal to the transfer income. If the control of the relevant underlying assets has been transferred to the Group and the transfer of the assets constitutes a sale, the Group will account for the purchase of the assets and the leasing of the assets in accordance with the aforementioned policies.

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

27. Change of significant accounting policy and accounting estimates

(1) Change of accounting estimates

Content and reasons for changes in accounting estimates	Approval Process	Remarks (names and amounts of statement items significantly affected)
<p>The Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) issued by the Ministry of Finance on 30 November 2022 stipulated the “accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction”, the “accounting treatment for income tax effects of dividends related to financial instruments classified as equity instruments by the issuer” and the “accounting treatment for enterprises to change the cash-settled share-based payments into equity-settled share-based payments”, in which, the relevant content of the “accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction” will be effective from 1 January 2023.</p>	<p>Reviewed and approved at the third meeting of the eighth board of directors and the third meeting of the eighth board of supervisors held by the Company on 30 March 2023.</p>	<p>For details, please refer to the table below</p>

The impact of the implementation of Interpretation No. 16 of Accounting Standards for Business Enterprises on the Group:

Affected items	Before adjustment	1 January 2023 Adjustment amount	After adjustment
Total assets	92,244,165.94	0.00	92,244,165.94
Of which: Deferred income tax assets	0.00	0.00	0.00
Total liabilities	80,248,874.57	6,749.50	80,255,624.07
Of which: Deferred income tax liabilities	0.00	6,749.50	6,749.50
Shareholder total	11,995,291.37	-6,749.50	11,988,541.87
Of which: Undistributed profits	-399,227,694.10	-6,749.50	-399,234,443.60

(2) Change of significant accounting estimates

None.

(3) Adjustments to relevant items in the financial statements at the beginning of the year when the new accounting standards were implemented for the first time in 2023

None.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

IV. TAXATION

1. Major taxes and tax rates

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

Description of taxpayers of different corporate income tax rates:

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

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

IV. TAXATION (Continued)

2. Tax incentives

The corporate income tax rate applicable to the Company is 15.00%. The Company obtained the "Hightech Enterprise Certificate", No. GR202261000247, on 14 October 2022 with a validity period of 3 years. According to Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", the 2023 corporate income tax is calculated and paid at the preferential tax rate of 15.00% for high-tech enterprises after filing and confirmation with the competent tax authority.

The following preferential tax policies are applicable to our subsidiary Yixian Hailan: According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Exemption of Certain Value-added Tax Policies for the Circulation of Fresh Meat and Eggs (Caishui 2012 No. 75), Provision 1 of the document requires: Some fresh meat and egg products sold by taxpayers engaged in the wholesale and retail of agricultural products are exempted from value-added tax. The fresh meat and egg products sold by the Yixian Hailan are exempted from value-added tax.

According to the "Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households" (Announcement No. 6, 2023, of the Ministry of Finance and the State Administration of Taxation), for Yixian Hailan, a subsidiary of the Company, in the period from 1 January 2023 to 31 December 2024, for the part of taxable income not exceeding RMB1 million, 25% shall be included in the taxable income, and the enterprise income tax shall be paid at the tax rate of 20%, and Yixian Hailan's income shall be subject to this provision to pay income tax.

According to the "Announcement on Relevant Tax Policies to Further Support the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12, 2023, of the Ministry of Finance and the State Administration of Taxation), from 1 January 2023 to 31 December 2027, small-scale value-added tax taxpayers, small low-profit enterprises and individual industrial and commercial households would be levied half of the resource tax (excluding water resources tax), urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax (excluding securities transaction stamp tax), farmland occupation tax and education surcharge, and local education surcharge. Subsidiaries of the Company, including Xi'an Haitian Wireless System Equipment Co., Ltd., Xi'an Haitian Communication System Engineering Co., Ltd., Haitian Antenna (Shanghai) International Trade Co., Ltd., Yixian Hailan Natural Agricultural Development Co., Ltd., Xi'an Haitian Marine Technologies Co., Ltd., Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd., Beijing Hailan Taihang Technologies Development Co., Ltd. and Wuxi Shanshui Haitian Network Technologies Co., Ltd., are all eligible for this preferential tax policy.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

V. EXPLANATION ON MATERIAL ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As to the data of the financial statements disclosed below, unless otherwise specified, “opening” means 1 January 2023; “closing” means 31 December 2023; “the year” means the year from 1 January to 31 December 2023; the “last year” means the year from 1 January to 31 December 2022. Unless otherwise specified, the currency unit is in RMB.

1. Cash at bank and on hand

(1) Items of cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	4,739.38	16,703.72
Bank deposits	1,656,447.97	1,846,208.96
Other monetary capitals	330,135.60	326,387.71
Deposits placed with financial companies	0.00	0.00
Total	1,991,322.95	2,189,300.39
Of which: Amount deposited overseas	63,136.78	73,257.25

The total amount deposited overseas by the Company is RMB63,136.78, among which, the total amount deposited overseas by the Company was RMB21,700.55 and the total amount deposited overseas by Haitian Hong Kong, a subsidiary of the Company, was RMB41,436.23.

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

Items	Closing balance	Opening balance
Suspended account	0.00	1,203.35
Margin account	240,954.42	237,409.61
Others	1,607.90	0.00
Total	242,562.32	238,612.96

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Notes receivable

(1) Notes receivable presented by type

Items	Closing balance	Opening balance
Commercial acceptance bill	100,000.00	0.00
Total	100,000.00	0.00

(2) Notes receivable presented by bad debts provision method

Type	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	0.00	0.00	0.00	0.00	0.00
Provision for bad debts by portfolio	100,000.00	100.00	3,000.00	3.00	97,000.00
Of which: Aging portfolio	100,000.00	100.00	3,000.00	3.00	97,000.00
Total	100,000.00	100.00	3,000.00	-	97,000.00

(Table continued)

Type	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	0.00	0.00	0.00	0.00	0.00
Provision for bad debts by portfolio	0.00	0.00	0.00	0.00	0.00
Of which: Aging portfolio	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2. Notes receivable (Continued)

(2) Notes receivable presented by bad debts provision method (Continued)

1) Provision for bad debts of notes receivable by portfolio

Aging portfolio

Aging	Book balance	Closing balance Provision for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	100,000.00	3,000.00	3.00
Total	100,000.00	3,000.00	–

(3) Provision, recovery or write-back for bad debts of notes receivable for the year

Type	Opening balance	Provision	Amount of changes for the year			Closing balance
			Recovered or written-back	Charge-off or write-off	Others	
Provision for bad debts	0.00	3,000.00	0.00	0.00	0.00	3,000.00
Total	0.00	3,000.00	0.00	0.00	0.00	3,000.00

(4) Pledged notes receivable at the end of the year

None.

(5) Notes receivable that have been endorsed or discounted at the end of the year and have not yet matured on the balance sheet date

Items	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Commercial acceptance bill	0.00	100,000.00
Total	0.00	100,000.00

(6) Notes receivable actually written off in the year

None.

(7) Aging of notes receivable at the end of the year

The age of the Group's above-mentioned year-end notes receivable is within one year.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Accounts receivable

(1) Accounts receivable presented by aging

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	5,272,166.72	8,860,557.55
1-2 years	2,082,166.12	2,646,925.16
2-3 years	941,433.02	195,000.00
Over 3 years	1,555,575.80	1,497,408.00
Of which: 3-4 years	60,000.00	0.00
4-5 years	0.00	197,408.00
Over 5 years	1,495,575.80	1,300,000.00
Total	9,851,341.66	13,199,890.71

(2) Accounts receivable presented by bad debts provision method

Type	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts ratio (%)	
Provision for bad debts by single item	1,298,167.80	13.18	1,298,167.80	100.00	0.00
Provision for bad debts by portfolio	8,553,173.86	86.82	758,265.94	8.87	7,794,907.92
Of which: Aging portfolio	7,746,565.46	78.63	758,265.94	9.79	6,988,299.52
Low-risk portfolio	806,608.40	8.19	0.00	0.00	806,608.40
Total	9,851,341.66	100.00	2,056,433.74	—	7,794,907.92

(Table continued)

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts ratio (%)	
Provision for bad debts by single item	1,300,000.00	9.85	1,300,000.00	100.00	0.00
Provision for bad debts by portfolio	11,899,890.71	90.15	691,070.02	5.81	11,208,820.69
Of which: Aging portfolio	10,798,657.71	81.81	691,070.02	6.40	10,107,587.69
Low-risk portfolio	1,101,233.00	8.34	0.00	0.00	1,101,233.00
Total	13,199,890.71	100.00	1,991,070.02	—	11,208,820.69

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Accounts receivable (Continued)

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

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

Name	Book balance	Opening balance	Book balance	Closing balance		Reason for provision
		Provision for bad debts		Provision for bad debts	Provision ratio (%)	
Shaanxi Yijia Haosen Industrial Development Co., Ltd.	1,300,000.00	1,300,000.00	1,298,167.80	1,298,167.80	100.00	Expected to be unrecoverable
Total	1,300,000.00	1,300,000.00	1,298,167.80	1,298,167.80	100.00	—

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

Aging	Book balance	Closing balance Provision for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	4,522,830.84	135,684.93	3.00
1-2 years	2,040,923.12	204,092.31	10.00
2-3 years	925,403.50	185,080.70	20.00
3-4 years	60,000.00	36,000.00	60.00
4-5 years	0.00	0.00	80.00
Over 5 years	197,408.00	197,408.00	100.00
Total	7,746,565.46	758,265.94	—

Other portfolio

Portfolio name	Book balance	Closing balance Provision for bad debts	Provision ratio (%)
Low-risk portfolio	806,608.40	0.00	0.00
Total	806,608.40	0.00	0.00

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Accounts receivable (Continued)

(3) Provision, recovery or write-back for bad debts of accounts receivable for the year

Type	Opening balance	Provision	Amount of changes for the year			Closing balance
			Recovered or written-back	Charge-off or write-off	Others	
Provision for bad debts	1,991,070.02	67,195.92	1,832.20	0.00	0.00	2,056,433.74
Total	1,991,070.02	67,195.92	1,832.20	0.00	0.00	2,056,433.74

(4) Account receivables actually written off during the year

None.

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

The aggregate amount of the accounts receivable of top 5 debtors by closing balance for the year amounted to RMB6,484,449.11, accounting for 65.82% of the balance of total accounts receivable as at the end of the year. The aggregate balance of corresponding provision for bad debts as at the end of the year amounted to RMB1,699,414.21.

4. Advanced payments

(1) Aging of advanced payments

Items	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	101,563.07	35.13	1,318,950.95	96.33
1-2 years	137,308.95	47.48	0.00	0.00
2-3 years	0.00	0.00	10,150.00	0.74
Over 3 years	50,300.00	17.39	40,150.00	2.93
Total	289,172.02	100.00	1,369,250.95	100.00

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

The aggregate amount of advanced payment of top 5 recipients by closing balance for the year amounted to RMB194,339.64, accounting for 67.21% of the balance of total advanced payments as at the end of the year.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

5. Other receivables

Items	Closing balance	Opening balance
Interest receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	1,390,127.45	1,658,404.47
Total	1,390,127.45	1,658,404.47

5.1 Other receivables

(1) Classification of other receivables by nature

Nature of fund	Closing book balance	Opening book balance
Deposits and security fund	761,976.85	1,209,443.01
Current accounts	562,550.85	330,540.21
Provisional deposit	176,405.32	194,379.53
Total	1,500,933.02	1,734,362.75

(2) Other receivables presented by aging

Aging	Opening book balance	Closing book balance
Within 1 year (including 1 year)	740,379.09	261,618.82
1-2 years	0.00	818,826.00
2-3 years	582,021.60	119,158.02
Over 3 years	178,532.33	534,759.91
Of which: 3-4 years	109,158.02	64,563.14
4-5 years	59,563.14	443,385.60
Over 5 years	9,811.17	26,811.17
Total	1,500,933.02	1,734,362.75

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

5.1 Other receivables (Continued)

(3) Other receivables presented by bad debt provision method

Type	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	49,563.14	3.30	49,563.14	100.00	0.00
Provisions for bad debts by portfolio	1,451,369.88	96.70	61,242.43	4.22	1,390,127.45
Of which: Aging portfolio	498,280.72	33.20	61,242.43	12.29	437,038.29
Low-risk portfolio	953,089.16	63.50	0.00	0.00	953,089.16
Total	1,500,933.02	100.00	110,805.57	—	1,390,127.45

(Continued table)

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	49,563.14	2.86	49,563.14	100.00	0.00
Provisions for bad debts by portfolio	1,684,799.61	97.14	26,395.14	1.57	1,658,404.47
Of which: Aging portfolio	227,680.72	13.13	26,395.14	11.59	201,285.58
Low-risk portfolio	1,457,118.89	84.01	0.00	0.00	1,457,118.89
Total	1,734,362.75	100.00	75,958.28	—	1,658,404.47

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

5.1 Other receivables (Continued)

(3) Other receivables presented by bad debt provision method (Continued)

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

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

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

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Within 1 year (inclusive)	311,800.00	9,354.00	3.00
2-3 years	150,000.00	30,000.00	20.00
3-4 years	36,480.72	21,888.43	60.00
Total	498,280.72	61,242.43	—

Other portfolio

Other portfolio	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Low-risk portfolio	953,089.16	0.00	0.00
Total	953,089.16	0.00	0.00

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

5.1 Other receivables (Continued)

(3) Other receivables presented by bad debt provision method (Continued)

3) Provisions for bad debts for other receivables are made according to the general expected credit loss model

Provisions for bad debts	Stage 1 Expected credit losses over the next 12 months	Stage 2 Lifetime expected credit losses (not credit impaired)	Stage 3 Lifetime expected credit losses (credit impaired)	Total
Balance at 1 January 2023	0.00	26,395.14	49,563.14	75,958.28
Book balance at 1 January 2023 for the year	–	–	–	–
–Transfer to stage 2	0.00	0.00	0.00	0.00
–Transfer to stage 3	0.00	0.00	0.00	0.00
–Written back to stage 2	0.00	0.00	0.00	0.00
–Written back to stage 1	0.00	0.00	0.00	0.00
Provision for the year	0.00	34,847.29	0.00	34,847.29
Written-back for the year	0.00	0.00	0.00	0.00
Charge-off for the year	0.00	0.00	0.00	0.00
Written-off for the year	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance at 31 December 2023	0.00	61,242.43	49,563.14	110,805.57

(4) Provisions for bad debts for other receivables made, recovered or reversed for the year

Type	Opening balance	Amounts of changes for the year				Closing balance
		Provision	Recovered or written- back	Charge-off or write-off	Others	
Provisions for bad debts	75,958.28	34,847.29	0.00	0.00	0.00	110,805.57
Total	75,958.28	34,847.29	0.00	0.00	0.00	110,805.57

(5) Other receivables actually written off during the year

None.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

5.1 Other receivables (Continued)

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

Name of unit	Nature of receivables	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Provisions for bad debts Closing balance
China Mobile Communication Group Gansu Co. Ltd.	Deposits and security fund	280,000.00	2-3 years	18.66	0.00
Yi County Lianggang Town Dailan People's Court of Yanta District of Xi'an City	Current accounts	256,480.72	1-4 years	17.09	53,988.43
China Mobile Communication Group Gansu Co. Ltd.	Deposits and security fund	241,800.00	Within 1 year	16.11	7,254.00
China Mobile Communication Group Gansu Co. Ltd.	Deposits and security fund	280,000.00	2-3 years	18.66	0.00
Shen Yongbo	Provisional deposit	87,897.04	Within 1 year	5.86	0.00
Total	—	1,146,177.76	—	76.38	61,242.43

(7) Employee Loans Receivables

None.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

6. Inventories

(1) Inventory category

Items	Book balance	Closing balance	
		Provision for inventory impairment	Book value
Raw materials	942,002.97	396,797.55	545,205.42
Goods in process	17,390.58	0.00	17,390.58
Inventory goods	9,020,880.19	1,574,034.36	7,446,845.83
Turnover materials	0.00	0.00	0.00
Goods delivered	3,720,768.51	0.00	3,720,768.51
Total	13,701,042.25	1,970,831.91	11,730,210.34

(Table continued)

Items	Book balance	Opening balance	
		Provision for inventory impairment	Book value
Raw materials	1,135,039.25	396,797.55	738,241.70
Goods in process	99,012.63	0.00	99,012.63
Inventory goods	9,417,549.37	921,381.92	8,496,167.45
Turnover materials	6,538.30	0.00	6,538.30
Goods delivered	4,132,068.78	0.00	4,132,068.78
Total	14,790,208.33	1,318,179.47	13,472,028.86

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

6. Inventories (Continued)

(2) Provision for inventory impairment

Items	Opening balance	Increase for the year		Decrease for the year		Closing balance
		Provision	Others	Reversal or resale	Others	
Raw materials	396,797.55	0.00	0.00	0.00	0.00	396,797.55
Inventory goods	921,381.92	652,652.44	0.00	0.00	0.00	1,574,034.36
Total	1,318,179.47	652,652.44	0.00	0.00	0.00	1,970,831.91

7. Other current assets

Items	Closing balance	Opening balance
Input tax pending deduction	240,720.96	338,281.94
Total	240,720.96	338,281.94

8. Fixed assets

Items	Closing balance	Opening balance
Fixed assets	4,783,795.07	5,616,018.80
Disposal of fixed assets	0.00	0.00
Total	4,783,795.07	5,616,018.80

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

8.1 Fixed assets

(1) Fixed assets

Items	Houses & buildings	Machinery and equipment	Transportation vehicles	Office equipment	Total
I. Original book value					
1. Opening balance	2,283,510.82	6,742,078.56	3,771,518.21	4,666,442.18	17,463,549.77
2. Increase for the year	0.00	242,172.57	0.00	317,954.31	560,126.88
(1) Purchase	0.00	242,172.57	0.00	317,954.31	560,126.88
3. Decrease for the year	0.00	42,964.60	0.00	0.00	42,964.60
(1) Disposal or scrapping	0.00	42,964.60	0.00	0.00	42,964.60
4. Closing balance	2,283,510.82	6,941,286.53	3,771,518.21	4,984,396.49	17,980,712.05
II. Accumulated depreciation					
1. Opening balance	511,516.72	2,239,326.91	3,407,288.31	3,544,099.89	9,702,231.83
2. Increase for the year	108,467.00	560,347.54	135,380.19	558,116.60	1,362,311.33
(1) Provision	108,467.00	560,347.54	135,380.19	558,116.60	1,362,311.33
3. Decrease for the year	0.00	12,925.32	0.00	0.00	12,925.32
(1) Disposal or scrapping	0.00	12,925.32	0.00	0.00	12,925.32
4. Closing balance	619,983.72	2,786,749.13	3,542,668.50	4,102,216.49	11,051,617.84
III. Provision for impairment					
1. Opening balance	0.00	2,145,299.14	0.00	0.00	2,145,299.14
2. Increase for the year	0.00	0.00	0.00	0.00	0.00
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00
4. Closing balance	0.00	2,145,299.14	0.00	0.00	2,145,299.14
IV. Book value					
1. Closing book value	1,663,527.10	2,009,238.26	228,849.71	882,180.00	4,783,795.07
2. Opening book value	1,771,994.10	2,357,452.51	364,229.90	1,122,342.29	5,616,018.80

(2) Temporarily idle fixed assets

None.

(3) Fixed assets leased out through operating leases

Items	Closing book value
Houses & buildings	1,663,527.10
Machinery and equipment	499,672.93
Office equipment	1,693.58
Total	2,164,893.61

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

8.1 Fixed assets (Continued)

(4) Fixed assets without title certificates

None.

9. Right-of-use assets

Items	Houses & buildings	Land use right	Total
I. Original book value			
1. Opening balance	13,150,291.86	337,714.80	13,488,006.66
2. Increase for the year	0.00	0.00	0.00
(1) Lease	0.00	0.00	0.00
3. Decrease for the year	10,143,258.93	0.00	10,143,258.93
(1) Disposal	10,143,258.93	0.00	10,143,258.93
(2) Others	0.00	0.00	0.00
4. Closing balance	3,007,032.93	337,714.80	3,344,747.73
II. Accumulated depreciation			
1. Opening balance	9,054,344.55	80,508.38	9,134,852.93
2. Increase for the year	1,495,185.97	18,589.80	1,513,775.77
(1) Provision	1,495,185.97	18,589.80	1,513,775.77
3. Decrease for the year	8,233,635.17	0.00	8,233,635.17
(1) Disposal	8,233,635.17	0.00	8,233,635.17
4. Closing balance	2,315,895.35	99,098.18	2,414,993.53
III. Provision for impairment			
1. Opening balance	0.00	0.00	0.00
2. Increase for the year	0.00	0.00	0.00
3. Decrease for the year	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00
IV. Book value			
1. Closing book value	691,137.58	238,616.62	929,754.20
2. Opening book value	4,095,947.31	257,206.42	4,353,153.73

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

10. Intangible assets

(1) Breakdown of intangible assets

Items	Prototype in self-development	Patent	Non-patented technology	Software	Others	Total
I. Original book value						
1. Opening balance	7,377,537.78	102,220,268.51	17,589,612.92	1,950,959.45	250,000.00	129,388,378.66
2. Increase for the year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Purchase	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	7,377,537.78	102,220,268.51	17,589,612.92	1,950,959.45	250,000.00	129,388,378.66
II. Accumulated amortisation						
1. Opening balance	2,086,031.76	59,579,043.22	17,589,612.92	1,919,268.69	120,370.38	81,294,326.97
2. Increase for the year	0.00	7,996,104.09	0.00	15,284.54	55,555.56	8,066,944.19
(1) Provision	0.00	7,996,104.09	0.00	15,284.54	55,555.56	8,066,944.19
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	2,086,031.76	67,575,147.31	17,589,612.92	1,934,553.23	175,925.94	89,361,271.16
III. Provision for impairment						
1. Opening balance	5,291,506.02	0.00	0.00	0.00	0.00	5,291,506.02
2. Increase for the year	0.00	9,943,002.55	0.00	0.00	0.00	9,943,002.55
(1) Provision	0.00	9,943,002.55	0.00	0.00	0.00	9,943,002.55
3. Decrease for the year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00	0.00
4. Closing balance	5,291,506.02	9,943,002.55	0.00	0.00	0.00	15,234,508.57
IV. Book value						
1. Closing book value	0.00	24,702,118.65	0.00	16,406.22	74,074.06	24,792,598.93
2. Opening book value	0.00	42,641,225.29	0.00	31,690.76	129,629.62	42,802,545.67

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1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

10. Intangible assets (Continued)

(2) Impairment testing of intangible assets

Items	Book value	Recoverable amount	Impairment amount	The number of years in the forecast period	Key parameters for the forecast period	Key parameters of the stable period	Basis for determining the key parameters of the stable period
11 patented technologies of Suzhou Haitian	34,643,002.55	24,700,000.00	9,943,002.55	5	14.93%	/	/
Total	34,643,002.55	24,700,000.00	9,943,002.55	-	-	-	-

Note: During the year, the Company engaged China United Assets Appraisal Group (Shaanxi) Co., Ltd.* (中聯資產評估集團(陝西)有限公司) to evaluate the recoverable amount of 11 patented technologies owned by its wholly-owned subsidiary Suzhou Haitian New Antenna Technologies Co., Ltd. and issue the evaluation report No. 1063 of China United (Shaanxi) Evaluation [2024]. The original value of the 11 patented technologies was RMB63.60 million, the net book value was RMB34.643 million, and the estimated recoverable amount was RMB24.70 million.

11. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets or liabilities presented on a net basis after offsetting

Items	Closing offset amount of deferred income tax assets and liabilities	Closing balance of deferred income tax assets or liabilities after offsetting	Opening offset amount of deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	33,652.38	0.00	0.00	0.00
Deferred income tax liabilities	40,011.65	6,359.27	0.00	0.00

(2) Breakdown of unrecognized deferred income tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	35,541,654.93	20,131,652.49
Deductible losses	172,754,712.71	151,903,095.81
Total	208,296,367.64	172,034,748.30

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

11. Deferred income tax assets and deferred income tax liabilities (Continued)

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

Year	Closing amount	Opening amount	Remarks
2023	—	7,870,864.91	
2024	14,424,170.58	5,165,432.49	
2025	19,846,658.79	7,967,912.93	
2026	21,759,465.30	13,302,692.63	
2027	21,125,400.04	12,444,655.24	
2028	19,801,496.08	11,366,942.74	
2029	12,131,119.14	21,389,857.23	
2030	13,436,339.49	25,315,085.35	
2031	11,562,971.09	20,019,743.76	
2032	20,162,062.83	27,059,908.53	
2033	18,505,029.37	0.00	
Total	172,754,712.71	151,903,095.81	—

Note: During the year, the Company's subsidiary Suzhou Haitian New Antenna Technologies Co., Ltd. was not recognized as a high-tech enterprise, and the period for which losses can be deducted was changed from 10 years to 5 years.

12. Other non-current assets

Items	Book balance	Closing balance Provision for impairment	Book value
Advanced payments for purchase of land and above-ground attachments	18,546,000.00	14,020,776.00	4,525,224.00
Total	18,546,000.00	14,020,776.00	4,525,224.00

(Table continued)

Items	Book balance	Opening balance Provision for impairment	Book value
Advanced payments for purchase of land and above-ground attachments	18,546,000.00	9,309,639.56	9,236,360.44
Total	18,546,000.00	9,309,639.56	9,236,360.44

Note: Details of provision for impairment of advanced payments for purchase of land and above-ground attachments for the year are in "Note XVI. 1".

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

13. Assets with restricted ownership or use rights

Items	Book balance	Book value	Closing Restriction type	Restriction situation
Monetary funds	242,562.32	242,562.32	Freeze	Restricted use rights
Total	242,562.32	242,562.32	—	—

(Table continued)

Items	Book balance	Book value	Opening Restriction type	Restriction situation
Monetary funds	238,612.96	238,612.96	Freeze	Restricted use rights
Total	238,612.96	238,612.96	—	—

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

14. Short-term borrowings

(1) Types of short-term borrowings

Types of borrowings	Closing balance	Opening balance
Secured borrowings	3,504,491.67	3,500,000.00
Guaranteed borrowings	1,266,668.00	3,100,000.00
Total	4,771,159.67	6,600,000.00

Note: The Company borrowed a one-year loan of RMB3,500,000.00 from Xi'an Branch of China Minsheng Bank Co., Ltd. in the form of mortgage on 9 December 2021. The loan is a revolving loan with a term from 2 December 2021 to 2 December 2026. Xiao Lei and Li Jun provided mortgage guarantee with their ordinary residence located in Room 12205, Building 1, Tianmu Kuoqing, High-tech International Business Center, Gaoxin District, Xi'an as collateral. The Company repaid the previous year's loan of RMB3,500,000.00 on 25 November 2023. On the same day, another loan of RMB3,500,000.00 was borrowed from Xi'an Branch of China Minsheng Bank Co., Ltd., with a loan period of 1 year and will be due on 25 November 2024.

Suzhou Haitian, a subsidiary of the Company, borrowed a one-year loan of RMB3,100,000.00 from the Dongnan Branch of Jiangsu Changshu Rural Commercial Bank Co., Ltd. in the form of guarantee on 16 December 2021. The guarantors are Liao Kang, Xiao Bing, and the Company. The guarantors constitute a joint guarantee for the principal creditor's rights. Since the loan was not repaid in full on the due date on 15 December 2022, the two parties signed two repayment agreements in February 2023 and August 2023 respectively, pursuant to which, for the overdue principal of RMB2,417,931.86 as of August 2023, the loan principal and interest shall be repaid in 11 installments from 28 August 2023 to 28 June 2024, among which the first installment is RMB300,000.00, the second to tenth installments are principal and interest of RMB230,000.00, and the eleventh installment is RMB145,502.83, for a total amount of RMB2,515,502.83. As of 31 December 2023, Suzhou Haitian's outstanding overdue borrowing principal was RMB1,266,668.00.

(2) Overdue short-term borrowings

The total amount of overdue short-term borrowings at the end of the year was RMB1,266,668.00, of which the important overdue short-term borrowings are as follows:

Creditor	Closing balance	Lending rate	Overdue time	Overdue interest rate
Dongnan Branch of Jiangsu Changshu Rural Commercial Bank Co., Ltd.	1,266,668.00	5.50%	15 December 2022	8.25%

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

15. Accounts payable

(1) Presentation of accounts payable

Items	Closing balance	Opening balance
Trade balance	4,878,660.86	4,940,262.61
Intermediary service fee	2,104,627.93	1,817,759.45
Total	6,983,288.79	6,758,022.06

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

Entity name	Closing balance	Reason for unsettlement or carrying forward
Shenzhen Xinmeitel Electronics Co., Ltd.	1,269,828.00	Unpaid
Kaiyuan Securities Co., Ltd.	1,226,415.09	Unpaid
Changshu High-tech Industrial City Construction and Development Co., Ltd.	1,050,000.00	Unpaid
Total	3,546,243.09	—

(3) Accounts payable presented by aging

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

Aging	Closing balance	Opening balance
Within 1 year	2,958,118.74	4,672,135.25
1-2 years	2,727,591.36	1,847,175.96
2-3 years	1,094,525.00	49,964.60
Over 3 years	203,053.69	188,746.25
Total	6,983,288.79	6,758,022.06

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1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

16. Advanced receipts

(1) Presentation of advanced receipts

Item	Closing balance	Opening balance
Advance rent payment	142,680.00	0.00
Total	142,680.00	0.00

(2) Important advances aged more than 1 year or overdue

None.

17. Contract liabilities

(1) Contract liabilities

Item	Closing balance	Opening balance
Loan	61,327.43	10,000.05
Total	61,327.43	10,000.05

(2) Significant contract liabilities aged more than 1 year

None.

(3) Significant changes in the book value of contract liabilities during the year

None.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

18. Payroll payable

(1) Classification of payroll payable

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Short-term remunerations	8,791,635.68	9,877,263.62	6,576,881.56	12,092,017.74
Post-employment benefits – defined contribution plans	6,563.10	1,041,546.12	1,041,546.12	6,563.10
Dismissal benefits	0.00	959,410.01	470,104.70	489,305.31
Total	8,798,198.78	11,878,219.75	8,088,532.38	12,587,886.15

(2) Short-term remunerations

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Wages, bonuses, allowances and subsidies	5,555,160.14	8,945,281.20	5,913,981.68	8,586,459.66
Staff welfare expenses	1,043.76	25,293.63	26,337.39	0.00
Social insurance premiums	30,020.44	543,427.72	544,554.12	28,894.04
Of which: Medical insurance premiums	29,882.89	517,344.24	518,470.64	28,756.49
Work-related injury insurance premiums	137.55	20,953.88	20,953.88	137.55
Maternity insurance premiums	0.00	5,129.60	5,129.60	0.00
Housing provident fund	27,545.00	359,660.00	70,815.00	316,390.00
Labor union expenditures and staff education funds	3,177,866.34	3,601.07	21,193.37	3,160,274.04
Total	8,791,635.68	9,877,263.62	6,576,881.56	12,092,017.74

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

18. Payroll payable *(Continued)*

(3) Defined contribution plans

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

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

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Basic endowment insurance	6,288.00	999,406.40	999,406.40	6,288.00
Unemployment insurance premiums	275.10	42,139.72	42,139.72	275.10
Total	6,563.10	1,041,546.12	1,041,546.12	6,563.10

The Group shall pay RMB1,041,546.12 (2022: RMB1,658,771.21) to the defined contribution plans participated in the year. As at 31 December 2023, the Group has contribution payable of RMB6,563.10 (31 December 2022: RMB6,563.10) due and not paid during the reporting period. The relevant contribution payable have been paid after the reporting period.

For each of the two financial years ended 31 December 2022 and 2023, there was no forfeited contribution (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) under the defined contribution plans of the Group which may be used by the Group to reduce the existing level of contributions.

19. Taxes payable

Items	Closing balance	Opening balance
VAT	1,995,005.97	2,099,923.31
Stamp duty	87,634.11	95,934.51
Personal income tax	56,511.97	83,498.22
Corporate income tax	0.00	0.00
Urban maintenance and construction tax	293.19	15,103.58
Education surcharge	293.19	3,305.03
Other taxes	115,703.02	115,703.02
Total	2,255,441.45	2,413,467.67

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1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

20. Other payables

Items	Closing balance	Opening balance
Interest payable	0.00	31,077.62
Dividend payable	0.00	0.00
Other payables	51,838,968.21	48,914,448.67
Total	51,838,968.21	48,945,526.29

20.1 Interest payable

(1) Classification of interest payable

Item	Closing balance	Opening balance
Interest payable on short-term loans	0.00	31,077.62
Total	0.00	31,077.62

(2) Significant unpaid overdue interest

None.

20.2 Other payables

(1) Classification of other payables by nature

Nature of fund	Closing balance	Opening balance
Current accounts of related parties	26,767,850.42	19,113,774.32
Current accounts	23,944,734.92	29,094,580.49
Security fund and deposit	634,197.61	579,235.71
Withholding payment	309,167.77	50,560.69
Others	183,017.49	76,297.46
Total	51,838,968.21	48,914,448.67

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1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

20.2 Other payables (Continued)

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

Entity name	Closing balance	Reason for unsettlement or carrying forward
Guangzhou Liuchaosong Venture Capital Partnership (Limited Partnership)	12,000,000.00	Unpaid
Shanghai Gaoxiang Investment Management Co., Ltd.	8,655,000.00	Unpaid
Xiao Bing	8,106,234.78	Unpaid
Chen Ji	7,992,077.64	Unpaid
Yu Tingting	7,500,000.00	Unpaid
Shanghai Hongzhen Ditong Asset Management Co., Ltd.	2,000,000.00	Unpaid
Transportation allowance for directors and supervisors	578,320.00	Unpaid
瀘州嶺跑實業發展有限公司	500,000.00	Unpaid
Jingjiu Investment (Shanghai) Co., Ltd.	500,000.00	Unpaid
Total	47,831,632.42	—

21. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	451,080.35	5,809,739.52
Total	451,080.35	5,809,739.52

22. Other current liabilities

Items	Closing balance	Opening balance
Output tax to be reversed	7,972.57	0.00
Notes receivable not derecognized	100,000.00	0.00
Total	107,972.57	0.00

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1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

23. Lease liabilities

Amount categories	Closing balance	Opening balance
Lease payable	965,315.38	7,060,641.62
Less: Unrecognized financing charges	144,073.60	336,981.90
Portion due within one year	451,080.35	5,809,739.52
Total	370,161.43	913,920.20

The carrying amounts of the above lease liabilities shall be repaid within the following periods:

Within one year	451,080.35	5,809,739.52
Over one year but not more than two years after the balance sheet date	236,783.13	555,088.61
Over two years but not more than five years after the balance sheet date	0.00	236,615.09
Over five years after the balance sheet date	133,378.30	122,216.50
Less: Lease liabilities due within one year under current liabilities	451,080.35	5,809,739.52
Lease liabilities under non-current liabilities	370,161.43	913,920.20

24. Long-term payables

Type	Closing balance	Opening balance
Long-term payables	9,986,815.75	0.00
Special payables	0.00	0.00
Total	9,986,815.75	0.00

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

24.1 Classification of Long-term payables by nature

Type	Closing balance	Opening balance
Long-term borrowings	9,986,815.75	0.00
Total	9,986,815.75	0.00

Note: From March 2023 to August 2023, Mr. Xiao Liangyong (immediate family member of Xiao Bing) successively provided loans to the Company with a total amount of RMB9,756,960.00, with a loan period of 3 years, an annual interest rate of 4%, and a one-time repayment of principal and interest on the date of maturity.

24.2 Analysis of maturity date of long-term payables

Type of payables	Closing balance	Opening balance
Borrowing principal	9,756,960.00	0.00
Borrowing interest	229,855.75	0.00
Total	9,986,815.75	0.00

The carrying amount of the above payables shall be repaid within the following periods:

Within a year	0.00	0.00
Over one year but not more than two years after the balance sheet date	0.00	0.00
Over two years but not more than five years after the balance sheet date	9,986,815.75	0.00
Over five years after the balance sheet date	0.00	0.00
Less: Bond payables due within one year under current liabilities	0.00	0.00
Payables under non-current liabilities	9,986,815.75	0.00

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

25. Share capital

Items	Opening balance of share capital	Issuance of new share	Increase/decrease for the year (+/-)			Sub-total	Closing balance of share capital
			Bonus share	Transfer of provident fund to shares	Others		
Xi'an Tian An Corporate Management and Consulting Co., Ltd.	32,836,363.70	0.00	0.00	0.00	0.00	0.00	32,836,363.70
Shanghai Gaoxiang Investment Management Co., Ltd.	25,484,480.40	0.00	0.00	0.00	0.00	0.00	25,484,480.40
Xi'an Xiao's Antenna Technologies Co., Ltd.	15,746,869.80	0.00	0.00	0.00	0.00	0.00	15,746,869.80
Xi'an International Medical Investment Co., Ltd.	10,000,000.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00
Shenzhen Huitai Investment Development Co., Ltd.	7,506,470.60	0.00	0.00	0.00	0.00	0.00	7,506,470.60
Xi'an Haorun Investment Co., Ltd.	7,000,000.00	0.00	0.00	0.00	0.00	0.00	7,000,000.00
Xiao Bing	6,500,000.00	0.00	0.00	0.00	-6,500,000.00	-6,500,000.00	0.00
Chen Ren	0.00	0.00	0.00	0.00	5,700,000.00	5,700,000.00	5,700,000.00
Beijing Holdings Investment Management Co., Ltd.	5,407,794.10	0.00	0.00	0.00	0.00	0.00	5,407,794.10
Jin Rongfei	5,000,000.00	0.00	0.00	0.00	0.00	0.00	5,000,000.00
Zhang Jiandong	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
Shaanxi Yinji Investment Ltd.	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
Shanghai Ruikou Trade Co., Ltd.	1,850,000.00	0.00	0.00	0.00	0.00	0.00	1,850,000.00
Shanghai Hongzhen Ningshang Investment Management Partnership (Limited Partnership)	1,850,000.00	0.00	0.00	0.00	-50,000.00	-50,000.00	1,800,000.00
Jiao Chengyi	1,094,303.00	0.00	0.00	0.00	0.00	0.00	1,094,303.00
Liao Kang	910,147.80	0.00	0.00	0.00	0.00	0.00	910,147.80
Ma Xiuling	0.00	0.00	0.00	0.00	800,000.00	800,000.00	800,000.00
Song Xiangyu	0.00	0.00	0.00	0.00	50,000.00	50,000.00	50,000.00
Sub-total of domestic shares	125,186,429.40	0.00	0.00	0.00	0.00	0.00	125,186,429.40
Xiao Bing	1,000,000.00	0.00	0.00	0.00	0.00	0.00	1,000,000.00
Chen Ji	977,100.00	0.00	0.00	0.00	0.00	0.00	977,100.00
Public	62,599,370.60	0.00	0.00	0.00	0.00	0.00	62,599,370.60
Sub-total of H shares	64,576,470.60	0.00	0.00	0.00	0.00	0.00	64,576,470.60
Total	189,762,900.00	0.00	0.00	0.00	0.00	0.00	189,762,900.00

Note: In May 2023, Mr. Xiao Bing entered into equity transfer agreements with Ms. Ma Xiuling and Mr. Chen Ren respectively, and transferred 8,000,000 Haitian Antenna domestic shares held by him to Ms. Ma Xiuling with a share capital amount of RMB800,000 and 57,000,000 Haitian Antenna domestic shares held by him to Mr. Chen Ren with a share capital amount of RMB5,700,000. After this equity transfer, Mr. Xiao Bing no longer holds domestic shares of the Company. The change registration procedures of the above-mentioned equity changes have been completed on 28 July 2023.

Shanghai Hongzhen Ningshang Investment Management Partnership (Limited Partnership) entered into an equity transfer agreement with Mr. Song Xiangyu, and transferred 500,000 domestic shares of the Company held by it to Mr. Song Xiangyu with a share capital amount of RMB50,000. The change registration procedure of the above-mentioned equity change has been completed on 28 July 2023.

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

26. Capital reserves

Items	Opening balance	Increase for the year	Decrease for the year	Closing balance
Share premium	155,712,767.48	0.00	0.00	155,712,767.48
Other capital reserves	46,856,278.79	0.00	0.00	46,856,278.79
Total	202,569,046.27	0.00	0.00	202,569,046.27

27. Surplus reserves

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

28. Undistributed profits

Items	The year	Last year
Undistributed profits at the end of the previous year before adjustments	-399,227,694.10	-369,103,101.74
Adjustment of the total amount of undistributed profits at the beginning of the year (increase +, decrease -)	0.00	0.00
Undistributed profits at the beginning of the year after adjustments	-399,227,694.10	-369,103,101.74
Add: Net profit attributable to owners of the parent company for the year	-42,980,083.20	-30,124,592.36
Less: Appropriation of statutory surplus reserves	0.00	0.00
Withdraw discretionary surplus reserve	0.00	0.00
Withdraw general risk reserve	0.00	0.00
Dividends payable on ordinary shares	0.00	0.00
Dividends on ordinary shares converted into share capital	0.00	0.00
Closing balance of the year	-442,207,777.30	-399,227,694.10

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

29. Operating income, operating costs

(1) Operating income and operating costs

Items	Amount incurred in the year		Amount incurred in last year	
	Income	Costs	Income	Costs
Main business	12,276,698.60	10,315,390.08	18,292,389.57	13,741,246.74
Other business	814,769.60	719,025.10	2,237,695.08	882,626.79
Total	13,091,468.20	11,034,415.18	20,530,084.65	14,623,873.53

(2) Main business income – by product

Items	Amount incurred in the year		Amount incurred in last year	
	Income	Costs	Income	Costs
Sales of antenna products and provision of related services	7,725,160.79	6,106,099.22	12,097,871.43	7,602,843.88
Sales of agricultural products	4,551,537.81	4,209,290.86	6,194,518.14	6,138,402.86
Total	12,276,698.60	10,315,390.08	18,292,389.57	13,741,246.74

30. Taxes and surcharges

Items	Amount incurred in the year	Amount incurred in last year
Stamp duty	13,931.68	31,811.46
Urban maintenance and construction tax	3,610.85	31,515.54
Education surcharge	2,755.78	18,396.36
Water conservancy fund	1,832.51	5,112.59
Vehicle and vessel use tax	67.20	323.06
Environmental protection tax	0.00	11,633.78
Total	22,198.02	98,792.79

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

31. Selling expenses

Items	Amount incurred in the year	Amount incurred in last year
Payroll	1,689,138.40	1,991,720.66
Technical service fees	737,198.25	982,373.68
Promotion and testing charges	586,782.63	1,188,505.68
Business entertainment expenses	589,907.39	810,139.45
Travelling expenses	488,665.55	513,288.81
Office fees	82,002.93	77,120.84
Intermediation fee	72,300.93	127,171.99
Advertising expenses	10,049.46	28,352.40
Equipment depreciation expenses	2,492.03	3,311.04
Printing fees	0.00	6,020.00
Delivery charges	0.00	1,092.35
Total	4,258,537.57	5,729,096.90

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

32. Administrative expenses

Items	Amount incurred in the year	Amount incurred in last year
Amortisation of intangible assets	8,079,184.05	8,068,854.40
Payroll	5,736,564.18	7,030,979.86
Intermediation fee	1,667,511.82	2,915,094.20
Auditor's remunerations	592,677.23	647,631.10
– Audit service fee	576,415.10	623,887.15
– Other service fee	16,262.13	23,743.95
Business entertainment expenses	556,649.05	445,021.44
Depreciation of right-of-use assets	446,527.48	673,448.30
Office fees	406,959.37	702,069.23
Travelling expenses	367,984.93	116,062.79
Vehicle expenses	282,628.58	438,646.59
Utilities	171,796.52	211,024.71
Depreciation expenses	158,615.56	290,947.59
Repair fee	133,180.00	20,990.00
Disabled security fund	117,107.66	33,391.37
Expenses of the Board	78,000.00	90,000.00
Property management fee	52,680.70	150,045.18
Communication fee	27,941.45	32,458.59
Rental fees	24,946.77	0.00
Transportation charges	5,621.76	2,976.64
Others	301,114.66	292,899.13
Total	19,207,691.77	22,162,541.12

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

33. R&D expenses

Items	Amount incurred in the year	Amount incurred in last year
Payroll	3,790,476.71	4,907,998.43
Material fee	1,070,075.78	699,234.44
Depreciation and amortisation	459,848.29	458,349.21
Travelling expenses	213,228.67	240,817.42
Office fees	86,910.14	155,701.76
Testing charges	20,844.08	56,928.97
Development service fee	10,830.00	36,867.92
Shipping fee	1,407.00	6,234.19
Others	3,929.83	16,115.69
Total	5,657,550.50	6,578,248.03

34. Financial expenses

Items	Amount incurred in the year	Amount incurred in last year
Interest expenses	748,580.76	789,815.33
Less: Interest income	3,260.96	8,914.14
Add: Exchange loss	69,886.79	160,348.87
Less: Exchange gain	362.43	127,466.83
Other expenditure	24,650.54	27,861.89
Total	839,494.70	841,645.12

35. Other gain

Source of other gain	Amount incurred in the year	Amount incurred in last year
High-tech project recognition subsidy	100,000.00	50,000.00
Income tax handling fee refunded	7,921.67	9,915.81
Job stabilization subsidy	0.00	164,640.29
VAT handling fee refunded	0.00	4,428.42
Relief of six taxes and two fees	0.00	971.54
Relief of Jinshuipan service fees	0.00	280.00
Total	107,921.67	230,236.06

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

36. Investment gain

Items	Amount incurred in the year	Amount incurred in last year
Investment gain from disposal of financial assets held for trading	0.00	793.80
Gain on restructuring of debts	1,124.00	0.00
Total	1,124.00	793.80

37. Credit impairment loss ("-" for loss)

Items	Amount incurred in the year	Amount incurred in last year
Bad debt loss of notes receivable	-3,000.00	0.00
Bad debt loss of accounts receivable	-65,363.72	-68.98
Bad debt loss of other receivables	-34,847.29	-13,203.77
Bad debt loss of advanced payments for purchase of land and above-ground attachments	-4,711,136.44	-3,805,864.72
Total	-4,814,347.45	-3,819,137.47

38. Assets impairment loss ("-" for loss)

Items	Amount incurred in the year	Amount incurred in last year
Inventory depreciation loss	-652,652.44	0.00
Intangible assets impairment loss	-9,943,002.55	0.00
Total	-10,595,654.99	0.00

39. Gain from assets disposal ("-" for loss)

Items	Amount incurred in the year	Amount incurred in last year	Amount charged to non-recurrent profit or loss for the year
Gain from disposal of non-current assets	496,279.19	726.68	496,279.19
Of which: Gain from disposal of non-current assets not classified as held for sale	496,279.19	726.68	496,279.19
Of which: Gain from disposal of fixed assets	19,518.25	-556.34	19,518.25
Gain from disposal of right-of-use assets	476,760.94	1,283.02	476,760.94
Total	496,279.19	726.68	496,279.19

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

40. Non-operating income

Items	Amount incurred in the year	Amount incurred in last year	Amount charged to non-recurrent profit or loss for the year
Payables that cannot be paid	0.00	2,424,845.68	0.00
Other income	0.00	416,674.54	0.00
Total	0.00	2,841,520.22	0.00

41. Non-operating expenditure

Items	Amount incurred in the year	Amount incurred in last year	Amount charged to non-recurrent profit or loss for the year
Unrecoverable amounts	28,368.80	0.00	28,368.80
Inventory loss	0.00	8,464.64	0.00
Compensation, liquidated damages and fine expenditure	1,837.11	500.00	1,837.11
Litigation compensation	200,000.00	0.00	200,000.00
Other expenditure	23,657.96	23,179.73	23,657.96
Total	253,863.87	32,144.37	253,863.87

42. Income tax expenses

(1) Income tax expenses

Items	Amount incurred in the year	Amount incurred in last year
Current income tax calculated according to tax law and relevant regulations	278.34	-9,216.46
– Mainland China corporate income tax	278.34	-9,216.46
– China Hong Kong profits tax	0.00	0.00
Deferred income tax expenses	6,359.27	0.00
Total	6,637.61	-9,216.46

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

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

42. Income tax expenses (Continued)

(2) Reconciliation of accounting profit and income tax expense

Items	Amount incurred in the year
Total consolidated profit in the year	-42,986,960.99
Income tax expenses calculated at statutory/applicable tax rates	-6,448,044.15
Impact of applying different tax rates to subsidiaries	-1,467,873.32
Impact of adjustment of income tax of previous period	0.00
Impact of non-taxable income	0.00
Impact of non-deductible costs, expenses and losses	152,745.52
Impact of deductible losses from applying deferred income tax assets not recognised in previous period	0.00
Impact of deductible temporary differences or deductible losses of the deferred income tax assets not recognised for the year	8,678,675.20
Additional items that deductible under tax law (research and development expenses)	-908,865.64
Income tax expenses	6,637.61

43. Items in cash flow statement

(1) Cash related to operating activities

1) Other cash received relating to operating activities

Items	Amount incurred in the year	Amount incurred in last year
Government subsidy	107,921.67	225,298.44
Current accounts	341,500.00	844,773.40
Interest income	3,256.41	8,914.14
Others	835,894.00	418,247.49
Total	1,288,572.08	1,497,233.47

2) Other cash paid relating to operating activities

Items	Amount incurred in the year	Amount incurred in last year
Administrative expenses	4,051,405.31	4,214,798.44
R&D expenses	523,249.22	405,086.35
Current accounts	312,200.00	5,221,777.54
Cost of sales	1,983,717.47	3,641,350.45
Financial expenses	24,650.54	27,861.89
Non-operating expenditures	11,837.11	500.00
Deposits, security fund, provisional deposit	358,845.94	517,277.89
Total	7,265,905.59	14,028,652.56

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

43. Items in cash flow statement (Continued)

(2) Cash related to financing activities

1) Other cash received relating to financing activities

Items	Amount incurred in the year	Amount incurred in last year
Shareholders loan	10,213,395.10	11,568,874.97
Of which: Xiao Bing	8,090,858.86	6,700,000.00
Chen Ji	772,536.24	1,335,874.97
Shanghai Gaoxiang Investment Management Co., Ltd.	1,350,000.00	3,533,000.00
Collection of personal loans	9,756,960.00	2,000,000.00
Total	19,970,355.10	13,568,874.97

2) Other cash paid relating to financing activities

Items	Amount incurred in the year	Amount incurred in last year
Shareholders repayment	8,620,000.00	1,020,119.38
Of which: Shanghai Gaoxiang Investment Management Co., Ltd.	0.00	620,000.00
Xiao Bing	8,620,000.00	400,119.38
Repayment of principal and interest on lease liabilities	2,190,835.22	1,876,681.29
Others	3,544.81	0.00
Total	10,814,380.03	2,896,800.67

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

43. Items in cash flow statement (Continued)

(2) Cash related to financing activities (Continued)

3) Changes in liabilities arising from financing activities

Items	Opening balance	Increase for the year		Decrease for the year		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Other payables:						
Xiao Bing	2,589,232.92	8,090,858.86	6,000,000.00	8,620,000.00	0.00	8,060,091.78
Chen Ji	7,219,541.40	772,536.24	0.00	0.00	0.00	7,992,077.64
Shanghai Gaoxiang Investment Management Co., Ltd.	7,305,000.00	1,350,000.00	0.00	0.00	0.00	8,655,000.00
Long-term payables:						
Xiao Liangyong	0.00	9,756,960.00	229,855.75	0.00	0.00	9,986,815.75
Total	17,113,774.32	19,970,355.10	6,229,855.75	8,620,000.00	0.00	34,693,985.17

Notes:

- ① In May 2023, the Company entered into a tripartite agreement with Xiao Bing and Ma Xiuling. The Company's borrowing amount of RMB6,000,000.00 payable to Ma Xiuling was repaid by Xiao Bing. The Company and Ma Xiuling terminated the creditor-debtor relationship and its debt to Xiao Bing increased.
- ② The Group's balance of payables to Xiao Bing from financing activities is RMB8,060,091.78, and unpaid reimbursements from production and operating activities are RMB46,143.00. The total balance of other payables to Xiao Bing is RMB8,106,234.78.

(3) Explanation on presenting cash flow in net amount

None.

(4) Major activities and financial impacts that do not involve current cash receipts and payments but affect the Company's financial positions or may affect the Company's cash flow in the future

None.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

44. Supplemental information to the cash flow statement

(1) Supplemental information to the cash flow statement

Items	Amount incurred in the year	Amount incurred in last year
1. Adjustment from net profit to cash flow from operating activities:		
Net profit	-42,993,598.60	-30,272,901.46
Add: Impairment loss for assets	10,595,654.99	0.00
Credit impairment loss	4,814,347.45	3,819,137.47
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	1,362,311.33	1,347,133.04
Depreciation of right-of-use assets	1,513,775.77	2,741,681.06
Amortisation of intangible assets	8,066,944.19	8,068,854.40
Amortisation of long-term unamortised expenses	0.00	0.00
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-496,279.19	-726.68
Losses from scrapping of fixed assets ("-" for gains)	0.00	0.00
Losses from changes in fair value ("-" for gains)	0.00	0.00
Financial expenses ("-" for gains)	748,580.76	789,815.33
Investment losses ("-" for gains)	-1,124.00	-793.80
Decrease of deferred income tax assets ("-" for increase)	0.00	0.00
Increase of deferred income tax liabilities ("-" for decrease)	6,359.27	0.00
Decrease of inventory ("-" for increase)	1,089,166.08	634,443.34
Decrease of operating receivables ("-" for increase)	4,659,618.69	6,739,873.90
Increase of operating payables ("-" for decrease)	3,951,162.08	-3,555,201.46
Others	0.00	0.00
Net cash flow from operating activities	-6,683,081.18	-9,688,684.86
2. Material Investment and financing activities not involving cash receipts and payments return:		
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds to be mature within one year	0.00	0.00
Fixed assets under financial lease	0.00	0.00
3. Net change of cash and cash equivalents:		
Closing balance of cash	1,748,760.63	1,950,687.43
Less: Opening balance of cash	1,950,687.43	4,189,014.30
Add: Closing balance of cash equivalents	0.00	0.00
Less: Opening balance of cash equivalents	0.00	0.00
Net increase amount of cash and cash equivalents	-201,926.80	-2,238,326.87

Notes to the Financial Statements

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

44. Supplemental information to the cash flow statement (Continued)

(2) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
Cash	1,748,760.63	1,950,687.43
Of which: Cash on hand	4,739.38	16,703.72
Bank deposit that can be used for payment at any time	1,654,840.07	1,845,005.61
Other monetary fund that can be used for payment at any time	89,181.18	88,978.10
Cash equivalents	0.00	0.00
Of which: Bond investments due within three months	0.00	0.00
Closing balance of cash and cash equivalents	1,748,760.63	1,950,687.43
Of which: Cash and cash equivalents that the parent company or the subsidiaries in the Group are restricted to use	0.00	0.00

45. Foreign currency monetary items

Items	Closing balance in foreign currency	Conversion exchange rate	Closing balance converted to RMB
Monetary capitals	–	–	63,061.99
Of which: USD	8,054.76	7.08270	57,049.45
HKD	6,634.75	0.90622	6,012.54

Notes to the Financial Statements

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

46. Leases

(1) The Group as lessee

Items	Amount incurred in the year	Amount incurred in last year
Interest expense on lease liabilities	158,511.05	376,403.97
Short-term lease expenses with simplified treatment included in current profit and loss	24,946.77	0.00
Low-value asset leasing expenses (except short-term leases) with simplified treatment included in current profit and loss	0.00	0.00
Variable lease payments not included in the measurement of lease liabilities	0.00	0.00
Of which: Part generated from sale and leaseback transactions	0.00	0.00
Income from subletting right-of-use assets	421,205.50	275,575.22
Total cash outflow related to leases	2,215,781.99	1,876,681.29
Relevant gains and losses arising from sale and leaseback transactions	0.00	0.00
Cash inflow from sale and leaseback transactions	0.00	0.00
Cash outflow from sale and leaseback transactions	0.00	0.00

(2) The Group as lessor

None.

VI. R&D EXPENSES

Items	Amount incurred in the year	Amount incurred in last year
Upgrade of lens antenna products	4,557,248.21	5,543,845.88
Dual-Stream Multi- Beam Cylindrical Dielectric Lens Antenna	487,681.48	453,974.70
Miniaturized High Gain Longbo Lens Antenna	10,290.21	125,234.24
5G port high gain large angle single beam antenna	602,330.60	455,193.21
Total	5,657,550.50	6,578,248.03
Of which: Expensed R&D expenses	5,657,550.50	6,578,248.03
Capitalized R&D expenses	0.00	0.00

VII. CHANGES IN CONSOLIDATION SCOPE

The Company's subsidiaries Xi'an Haitian Automotive Electronics Technologies Co., Ltd. and Shaanxi Haitian Luotai Aviation Light Engine Technologies Co., Ltd., the Company's subsidiaries, completed the deregistration procedures in October 2023, which Heinz (Hong Kong) Light Aviation Engines Limited submitted a deregistration application in 2023, and the deregistration process has not yet been completed.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the business group

Name of subsidiaries	Registered capital (Ten thousand)	Main business place	Domicile	Business nature	Paid up capital/ share capital (Ten thousand)	Shareholding proportion (%)		Acquisition method
						Direct	Indirect	
Xi'an Haitian Wireless System Equipment Co., Ltd. *	2,000.00	Xi'an	Xi'an	Manufacturing	2,000.00	100.00	0.00	Establishment
Xi'an Haitian Communication System Engineering Co., Ltd. *	3,000.00	Xi'an	Xi'an	Construction enterprise	820.00	100.00	0.00	Establishment
Haitian Antenna Technologies (Hongkong) Limited**	150.00	Hong Kong	Hong Kong	Trade	150.00 (Note 2)	100.00	0.00	Establishment
Haitian Antenna (Shanghai) International Trade Co., Ltd. *	2,000.00	Shanghai	Shanghai	Trade	2,000.00	100.00	0.00	Establishment
Xi'an Haitian Marine Technologies Co., Ltd. *	1,000.00	Xi'an	Xi'an	Manufacturing	1,000.00	100.00	0.00	Establishment
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd. *	1,000.00	Xi'an	Xi'an	Manufacturing	1,000.00	100.00	0.00	Establishment
Xi'an Haitian Automotive Electronics Technologies Co., Ltd. *	100.00	Xi'an	Xi'an	Manufacturing	100.00	100.00	0.00	Establishment
Beijing Hailan Taihang Technologies Development Co., Ltd. *	1,000.00	Beijing	Beijing	Trade	100.00	100.00	0.00	Establishment
Wuxi Shanshui Haitian Network Technologies Co., Ltd. *	5,000.00	Wuxi	Wuxi	Software and information technology services	1,000.00	100.00	0.00	Establishment
Suzhou Haitian New Antenna Technologies Co., Ltd. *	4,002.86	Changshu	Changshu	Manufacturing	4,002.86	100.00	0.00	Acquisition
Shaanxi Haitian Luotai Aviation Light Engine Technologies Co., Ltd.*	1,000.00	Weinan	Weinan	Software and information technology services	0.00	100.00	0.00	Establishment
Yixian Hailan Natural Agricultural Development Co., Ltd.*	591.84	Yi County	Yi County	Trade in poultry and agricultural products	591.84	0.00	51.00	Establishment
Heinz (Hong Kong) Light Aviation Engines Limited **	1.00	Hong Kong	Hong Kong	Manufacturing	1.00 (Note 2)	0.00	100.00	Establishment
Xi'an Haitian Chuangyao Communication System Engineering Co., Ltd. *	2,000.00	Xi'an	Xi'an	Construction enterprise	0.00	0.00	100.00	Acquisition

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

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

Note 3: Xi'an Haitian Automotive Electronics Technologies Co., Ltd. and Shaanxi Haitian Luotai Aviation Light Engine Technologies Co., Ltd. have completed the industrial and commercial deregistration procedures in October 2023.

(2) Major non-wholly-owned subsidiaries

Name of subsidiary	Minority shareholding ratio	Profits and losses attributable to minority shareholders for the year	Dividends declared for distribution to minority shareholders for the year	Closing balance of minority shareholders' equity
Yixian Hailan Natural Agricultural Development Co., Ltd.	49.00%	-13,515.40	0.00	2,441,704.46

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

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

Items	Yixian Hailan Natural Agricultural Development Co., Ltd.	
	Closing balance (amount incurred in the year)	Opening balance (amount incurred in last year)
Current assets	3,840,527.69	3,149,633.37
Non-current assets	2,403,510.23	2,738,129.36
Total assets	6,244,037.92	5,887,762.73
Current liabilities	1,122,294.74	754,860.81
Non-current liabilities	138,640.21	122,216.50
Total liabilities	1,260,934.95	877,077.31
Operating income	4,728,785.50	6,283,141.99
Net profit	-27,582.45	-302,671.65
Total comprehensive income	-27,582.45	-302,671.65
Cash flows from operating activities	1,026,527.84	-1,516,100.69

(4) Others

As of 31 December 2023, the subsidiaries of the Company have not issued any share capital or debt securities.

IX. GOVERNMENT SUBSIDY

1. Government subsidies recognized according to the amount receivable at the end of the year

None.

2. Liability items involving government subsidies

None.

3. Government subsidies included in current profit and loss

Accounting items	Amount incurred in the year	Amount incurred in last year
Other gain	100,000.00	220,320.25

Notes to the Financial Statements

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X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group faces various financial instrument risks in its day-to-day activities, mainly including market risks (such as exchange rate risks, interest rate risks and commodity price risks), credit risks and liquidity risks. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

1. Various risk management goals and policies

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

(1) Market risks

1) Exchange rate risk

The Group's exposure to exchange rate risk is mainly related to the US dollar, Hong Kong dollar and Australian dollar. Except for several subsidiaries of the Group that trade in Hong Kong dollar, the other major business activities of the Group are denominated in RMB. As of 31 December 2023, except for the USD balance of assets and liabilities and the sporadic AUD and HKD balances described in the table below, the balance of the Group's assets and liabilities are all dominated in RMB. The exchange rate risk arising from the assets and liabilities of such foreign currency balance may have an impact on the operating performance of the Group.

Items	31 December 2023 (RMB)	31 December 2022 (RMB)
Monetary capitals – USD	57,049.45	56,078.05
Monetary capitals – HKD	6,012.54	17,106.44

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

2) Interest rate risk

The Group's interest rate risk arises from interest-bearing debts such as bank loans. Financial liabilities with floating interest rate expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rate expose the Group to fair value interest rate risk. The Group determines the relative proportion of fixed-rate and floating-rate contracts based on the market environment at the time. As at 31 December 2023, the Group's interest-bearing debts were mainly RMB-denominated fixed-rate contracts, with an amount of RMB14,523,628.00 (31 December 2022: RMB6,600,000.00).

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

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

3) Price risk

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

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

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

(2) Credit risk

The Group manages credit risks by portfolio classification. Credit risk mainly arises from monetary funds, notes receivable, accounts receivable, other receivables, etc.

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

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

The Group has adopted necessary policies to ensure that all sales customers have a good credit history. Apart from the top five entities with the largest amount in account receivables, the Group has no other significant credit concentration risk. Among the Group's accounts receivable, the top five accounts totaled RMB6,484,449.11, accounting for 65.82% of the Company's total accounts receivable.

1) *Judgment criteria for significant increase in credit risk*

On each balance sheet date, by comparing the probability of default of the financial instrument during its expected duration determined at the time of initial recognition and the default probability of the instrument during its estimated duration determined at the balance sheet date, the Group determines whether the credit risk of the instrument has increased significantly since initial recognition. However, if the Group determines that a financial instrument only has low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since initial recognition.

2) *Definition of credit-impaired assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. In certain circumstances, the Group will also treat it as credit-impaired if internal or external information indicates that the contract amount may not be recovered in full before taking into account any credit enhancement held. Credit impairment of financial assets may be caused by the combined effect of multiple events and may not be caused by an individually identifiable event.

Evidence of financial asset that is credit impaired includes the following observable information: the issuer or debtor has major financial difficulties; breach of contract by the debtor, such as breach or delay in payment of interest or principal; the Group gives the debtor concessions that would not be made under any other circumstances for economic or contractual reasons in connection with the debtor's financial difficulties; the debtor is likely to go bankrupt or undergo other financial restructuring; the financial difficulties of the issuer or debtor result in the disappearance of the active market of the financial asset.

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

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

(2) Credit risk *(Continued)*

3) Credit risk exposure

As at 31 December 2023, the maximum credit risk exposure that is likely to cause financial losses to the Group was due primarily to the losses on the Group's financial assets arising from the failure of the other party to the contract to fulfill its obligations, including:

The carrying amount of the recognized financial assets in the consolidated statement of financial position; for financial instruments measured at fair value, the carrying amount reflects its risk exposure that is not the maximum, and its maximum risk exposure will change with future changes in fair value.

(3) Liquidity risk

Liquidity risk is the risk that the Group cannot fulfill its financial obligations on the due date. The Group's method of managing liquidity risk is to ensure that there is sufficient liquidity to fulfill due obligations without causing unacceptable losses or damages to the business reputation. The Group regularly analyzes the structure and maturity of its liabilities to ensure sufficient funds. The management of the Group monitors the use of bank borrowings and ensures compliance with borrowing agreements. At the same time, they conduct financing negotiations with financial institutions to maintain a certain credit limit and reduce liquidity risks.

The Group uses shareholder loans and bank loans as the main source of funds. As at 31 December 2023, the Group's unused bank borrowing limit was RMB0.00 (31 December 2022: RMB0.00), of which the Group's unused short-term bank borrowing limit was RMB0.00 (31 December 2022: RMB0.00).

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

Amount on 31 December 2023:

Items					Unit: RMB
	Within one year	One to two years	Two to five years	Over five years	Total
Financial assets					
Monetary capitals	1,991,322.95	0.00	0.00	0.00	1,991,322.95
Bills receivable	100,000.00	0.00	0.00	0.00	100,000.00
Accounts receivable	5,272,166.72	2,082,166.12	1,001,433.02	1,495,575.80	9,851,341.66
Other receivables	740,379.09	0.00	750,742.76	9,811.17	1,500,933.02
Financial liabilities					
Short-term borrowings	4,771,159.67	0.00	0.00	0.00	4,771,159.67
Accounts payable	2,958,118.74	2,727,591.36	1,297,578.69	0.00	6,983,288.79
Other payables	19,980,322.89	30,651,603.80	408,791.68	798,249.84	51,838,968.21
Non-current liabilities due within one year	451,080.35	0.00	0.00	0.00	451,080.35
Lease liabilities	0.00	236,783.13	0.00	133,378.30	370,161.43
Long-term payable	0.00	0.00	9,986,815.75	0.00	9,986,815.75

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)**2. Sensitivity analysis**

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

(1) Sensitivity analysis of foreign exchange risk

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

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

Items	Change in exchange rate	2023		2022	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
All foreign currencies	Rise by 5% against RMB	3,152.61	3,152.61	3,659.22	3,659.22
All foreign currencies	Fall by 5% against RMB	-3,152.87	-3,152.87	-3,659.22	-3,659.22

(2) Sensitivity analysis of interest rate risk

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

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

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

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

On the basis of the above assumptions, and with other variables remaining unchanged, the after-tax effects of the possible reasonable changes in interest rates on current profit or loss and equity are as follows:

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

XI. DISCLOSURE OF FAIR VALUE

None.

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XII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related party relationships

(1) Interests of Directors or chief executive of the Company in the Company

1) Equities of domestic shares in the Company

Name	Identity	Number of domestic shares	Proportion to domestic shares	Proportion to total shares	Remarks
Xiao Bing	Actual owner, interests of family members and interests of controlled companies	485,832,335	38.81%	25.60%	Note 1
Chen Ji	Interests of controlled companies	272,844,804	21.80%	14.38%	Note 2

2) Equities of H shares in the Company

Name	Identity	Number of H shares	Proportion to H shares issued	Proportion to total shares	Remarks
Xiao Bing	Actual owner	10,000,000	1.55%	0.53%	
Chen Ji	Actual owner and interests of controlled companies	11,718,000	1.81%	0.62%	Note 3

Note 1: Xi'an Tian An Corporate Management and Consulting Co., Ltd. (Tian An Corporate) holds 328,363,637 domestic shares. The company is beneficially owned as to 60% and 40% by Mr. Xiao Bing and his spouse Ms. Chen Jing respectively. 157,468,698 domestic shares are held by Xi'an Xiao's Antenna Technologies Co., Ltd. (Xiao Antenna), which is beneficially owned as to 31% by his father Professor Xiao Liangyong and 30% by his spouse Ms. Chen Jing. On 10 August 2023, Professor Xiao Liangyong transferred 31% of Xiao Antenna shares to Ms. Chen Jing. By virtue of the SFO, Mr. Xiao Bing is deemed to be interested in the same 328,363,637 and 157,468,698 domestic shares. In the second quarter of 2023, Mr. Xiao Bing transferred his 57,000,000 and 8,000,000 domestic shares to Mr. Chen Ren and Ms. Ma Xiuling.

Note 2: Shanghai Gaoxiang Investment Management Co., Ltd. (Gaoxiang Investment) holds 254,844,804 domestic shares. The domestic shares held by Shanghai Hongzhen Ningshang Investment Management Partnership (limited partnership) (Shanghai Hongzhen Ningshang) decreased from 18,500,000 shares to 18,000,000 shares. In the second quarter of 2023, Shanghai Hongzhen Ningshang transferred its 500,000 domestic shares to Mr. Song Xiangyu. Shanghai Hongzhen Ningshang is beneficially owned by Mr. Chen Ji and Shanghai Hongzhen Investment Management Co., Ltd. (Shanghai Hongzhen Investment) as to 83.33% and 16.67%, respectively. Shanghai Hongzhen Investment is beneficially owned by Gaoxiang Investment as to 60%. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 254,844,804 and 18,000,000 domestic shares.

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

1. Related party relationships *(Continued)*

(1) Interests of Directors or chief executive of the Company in the Company *(Continued)*

2) *Equities of H shares in the Company* *(Continued)*

Note 3: Mr. Chen Ji directly holds 11,418,000 H shares and his spouse Ms. Sun Xiangjun directly holds 300,000 H Shares. By virtue of the SFO, Mr. Chen Ji is deemed to be interested in the same 300,000 H shares.

(2) Subsidiaries of the Company

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

(3) Joint ventures and associates of the Company

None.

(4) Other related party

Name of other related party	Relationship with the Company
Xi'an Xiao's Antenna Technologies Co., Ltd.	Shareholder of the Company
Shanghai Gaoxiang Investment Management Co., Ltd.	Shareholder of the Company
Xi'an Haitian Hi-tech Power Co., Ltd.	An enterprise controlled by director (Zuo Hong is a non-executive director of the Company and an executive director and shareholder of Xi'an Haitian Hi-tech, and Xi'an Haitian Hitech is owned by Zuo Hong as to 5%)
Shanghai Hongzhen Ditong Asset Management Co., Ltd.	An enterprise controlled by shareholders (Shanghai Hongzhen Investment Management Co., Ltd. is a shareholder of the Company and the controlling shareholder of Shanghai Gaoxiang Investment Management Co., Ltd., and Shanghai Hongzhen Investment Management Co., Ltd. owns 16.5 % interests in Shanghai Hongzhen Ditong Asset Management Co., Ltd.)
Zuo Hong	Senior management and director of the Company
Xu Hao	Senior management of the Company
Wang Jianqing	Senior management of the Company
Liu Lidong	Senior management and director of the Company
Wang Yun	Senior management of the Company
Xiao Bing	Shareholder, Executive Director and chairman of the Company
Chen Ji	Shareholder, Executive Director and vice chairman of the Company
Liao Kang	General Manager of the subsidiary Suzhou Haitian
Xiao Liangyong	Immediate family member of Xiao Bing
Xiao Le	Immediate family member of Xiao Bing
Li Jun	Spouse of immediate family member of Xiao Bing

Notes to the Financial Statements

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XII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

2. Related party transaction

(1) Related guarantees

1) As guarantor

Name of guarantee	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether guarantee has been fulfilled
Suzhou Haitian New Antenna Technologies Co., Ltd.	1,266,668.00	16 December 2022	28 June 2024	No

Note: Liao Kang, Xi'an Haitian Antenna Technologies Co., Ltd. provided guarantees for Suzhou Haitian's short-term borrowings. Suzhou Haitian entered into an extension agreement with Jiangsu Changshu Rural Commercial Bank Co., Ltd. on overdue loans, agreeing that the final repayment date to be 28 June 2024. The guarantees provided by Liao Kang, Xiao Bing and the Company have been extended to 28 June 2024, until the overdue loan is repaid.

2) As guarantee

Name of guarantor	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether guarantee has been fulfilled
Liao Kang Xiao Bing Xi'an Haitian Antenna Technologies Co., Ltd.	1,266,668.00	16 December 2022	28 June 2024	No
Xiao Lei Li Jun	3,500,000.00	2 December 2022	2 December 2026	No

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

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

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

2. Related party transaction (Continued)

(2) Capital lending between related parties

Name of related party	Lending amount	Repayment amount	Commencement date	Maturity date	Remarks
Shanghai Gaoxiang Investment Management Co., Ltd.	1,350,000.00	0.00	-	-	
Xiao Liangyong	9,756,960.00	0.00	-	-	
Chen Ji	772,536.24	0.00	-	-	
Xiao Bing	8,090,858.86	8,620,000.00	-	-	
Total	19,970,355.10	8,620,000.00	-	-	

(3) Remunerations of key management personnel

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

Item name	Amount incurred in the year	Amount incurred in last year
Total remuneration	3,726,338.51	4,279,179.56

(4) Continued related party transaction

None.

3. Transaction balance of related party

(1) Accounts receivable

Item name	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	Senior management of the Company				
	Xu Hao	10,000.00	0.00	0.00	0.00
	Wang Jianqing	426.16	0.00	0.00	0.00
Total		10,426.16	0.00	0.00	0.00

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Transaction balance of related party *(Continued)*

(2) Accounts payable

Item name	Related party	Closing book balance	Opening book balance
Other payables			
	Shanghai Gaoxiang Investment Management Company Limited	8,655,000.00	7,305,000.00
	Xiao Bing (Senior management and director of the Company)	8,106,234.78	2,589,232.92
	Chen Ji (Senior management and director of the Company)	7,992,077.64	7,219,541.40
	Shanghai Hongzhen Ditong Asset Management Co., Ltd.	2,000,000.00	2,000,000.00
	Zuo Hong (Senior management and director of the Company)	9,638.00	0.00
	Liu Lidong (Senior management and director of the Company)	3,321.00	0.00
	Wang Yun (Senior management of the Company)	1,579.00	0.00
Long-term payables			
	Xiao Liangyong	9,986,815.75	0.00
Total		36,754,666.17	19,113,774.32

4. Commitment of related parties

Xiao Bing, Chen Ji, and Shanghai Gaoxiang Investment Management Co., Ltd., being shareholders of the Company, promised not to recover the debt of RMB24,753,312.42 before 31 December 2024.

Xiao Bing and Chen Ji, both being shareholders of the Company, promised to provide sufficient financial support for the funding gap in the financial budget of Haitian Antenna.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Remunerations of directors, supervisors and employees

(1) Remunerations of directors and supervisors are as follows

Items	Salary and allowance	Social insurance, housing fund and pension	Bonus	Share payment	Total
Amount incurred in the year					
Executive directors					
Xiao Bing	429,373.20	80,029.56	0.00	0.00	509,402.76
Chen Ji	429,373.20	0.00	0.00	0.00	429,373.20
Supervisors					
Li Tianzuo	200,597.27	0.00	0.00	0.00	200,597.27
Wang Xiaokun	12,000.00	0.00	0.00	0.00	12,000.00
Shang Lijian	0.00	0.00	0.00	0.00	0.00
Non-executive directors					
Zuo Hong	297,210.00	74,560.43	0.00	0.00	371,770.43
Sun Yikuan	12,000.00	0.00	0.00	0.00	12,000.00
Shi Ping	12,000.00	0.00	0.00	0.00	12,000.00
Tu Jijun	12,000.00	0.00	0.00	0.00	12,000.00
Liu Lidong	12,000.00	0.00	0.00	0.00	12,000.00
Chen Ren	9,000.00	0.00	0.00	0.00	9,000.00
Li Wenqi	6,000.00	0.00	0.00	0.00	6,000.00
Total	1,431,553.67	154,589.99	0.00	0.00	1,586,143.66
Amount incurred in last year					
Executive directors					
Xiao Bing	350,979.41	127,899.66	0.00	0.00	478,879.07
Chen Ji	375,000.00	33,722.33	0.00	0.00	408,722.33
Supervisors					
Li Tianzuo	196,634.01	58,972.80	0.00	0.00	255,606.81
Lu Lihua	50,037.00	13,932.00	0.00	0.00	63,969.00
Shang Lijian	0.00	0.00	0.00	0.00	0.00
Wang Xiaokun	12,000.00	0.00	0.00	0.00	12,000.00
Zhang Yi	6,000.00	0.00	0.00	0.00	6,000.00
Non-executive directors					
Sun Wenguo	3,000.00	0.00	0.00	0.00	3,000.00
Li Wenqi	6,000.00	0.00	0.00	0.00	6,000.00
Yan Weimin	3,000.00	0.00	0.00	0.00	3,000.00
Xu Xiong	6,000.00	0.00	0.00	0.00	6,000.00
Zhang Jun	12,000.00	0.00	0.00	0.00	12,000.00
Shi Ping	12,000.00	0.00	0.00	0.00	12,000.00
Tu Jijun	12,000.00	0.00	0.00	0.00	12,000.00
Liu Lidong	12,000.00	0.00	0.00	0.00	12,000.00
Sun Yikuan	6,000.00	0.00	0.00	0.00	6,000.00
Zuo Hong	285,317.27	76,805.22	0.00	0.00	362,122.49
Total	1,347,967.69	311,332.01	0.00	0.00	1,659,299.70

Note: Chen Ren became a non-executive director of Haitian Antenna on 3 April 2023.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

5. Remunerations of directors, supervisors and employees *(Continued)*

(2) Five highest paid individuals

Two of the top five highest-paid individuals of the year are directors (two in the last year), the remaining three are senior management personnel (three in the last year), and the remunerations of directors are set out in Note "XII 5. (1) Remunerations of directors and supervisors". The remunerations of the remaining three senior management personnel are as follows:

Items	Amount incurred in the year	Amount incurred in last year
Salaries and allowances	1,476,507.99	1,919,337.64
Costs of social insurance, housing fund and related pension	154,589.99	197,892.29
Total	1,631,097.98	2,117,229.93

Scope of remuneration:

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

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

(4) Remuneration of key management personnel

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

Items	Amount incurred in the year	Amount incurred in last year
Salary and allowance	3,300,868.93	3,650,809.66
Costs of social insurance, housing fund and related pension	425,469.58	628,369.90
Total	3,726,338.51	4,279,179.56

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

6. Loans receivable from directors or directors' related enterprises

None.

XIII. SHARE PAYMENT

None.

XIV. CONTINGENT COMMITMENTS AND CONTINGENCY

None.

XV. EVENTS AFTER THE BALANCE SHEET DATE

None.

XVI. OTHER IMPORTANT MATTERS

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

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

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

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

On 3 March 2022, the Executive Bureau of the Intermediate People's Court of Xi'an City presided over the hearing procedures in accordance with the law, it heard the opinions of Haitian Antenna, Xi'an Tangdu Yanhua Automobile Sales and Service Co., Ltd. (西安唐都燕華汽車銷售服務有限公司), the applicant for reinstatement, and Xi'an Xiangyu Aviation Co., Ltd. (西安翔宇航空股份有限公司), the person subject to execution. Haitian Antenna submitted relevant evidence materials to the court to prove that the land and above-ground buildings purchased by Haitian Antenna complied with the provisions of Article 28 of the "Regulations of the Supreme People's Court on Several Issues Concerning the Handling of Execution Objections and Reconsideration Cases by the People's Court" 《(最高人民法院關於人民法院辦理執行異議和覆議案件若干問題的規定)》 and the measures of sealing up and auctioning the land and its attachments should be lifted.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVI. OTHER IMPORTANT MATTERS (Continued)

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

On 22 April 2022, the Xi'an Intermediate People's Court rejected the Company's application for enforcement objection. The reason for the dismissal was that "the dormant seizure is not a formal sequestration in nature, and does not have the effect of a formal sequestration. If a person outside the case claims that his or her legitimate rights and interests have been infringed, he or she must file with the court that formally seizes the property involved in the case. Subsequently, Haitian Antenna filed with the Higher People's Court of Shaanxi Province for a review, and the provincial Higher Court made a ruling (2022) Shan Zhi Fu No. 123, rejecting Haitian Antenna's application for review and upholding the implementation ruling (2022) Shan 01 Zhi Yi No. 175 issued by the Xi'an Intermediate People's Court for the reason consistent with that given by the Xi'an Intermediate People's Court.

In this case, it has been verified that the house involved in the case where the enforcement department of the court claims ownership of Haitian Antenna, an outsider, is waiting to be sealed up. Although the First Seizing Court has transferred the right to dispose of the land involved in the case to the court, the right to examine the seizure has not been transferred." During the execution of the objection review, it was revealed that after Haitian Antenna purchased the land No. 007 and applied for land change registration, Xi'an Kanghong New Material Technology Co., Ltd. (西安康鸿新材料科技股份有限公司), another creditor of Xiangyu Aviation, filed a claim with the People's Court of Yanta District of Xi'an City applied for the seizure of Land No. 007, which means that an enforcement objection should be lodged with the People's Court of Yanta District of Xi'an City.

On 20 July 2022, Haitian Antenna submitted an application for an enforcement objection to the Executive Bureau of the People's Court of Yanta District, Xi'an City. On 1 June 2023, Haitian Antenna received the enforcement ruling issued by the Yanta District Court of Xi'an City (Case No.: Enforcement Ruling of Xi'an Yanta District People's Court (2023) Shaan 0113 Zhiyi No. 370), ruling to reject Haitian Antenna's objection request.

On 14 June 2023, Haitian Antenna filed an enforcement objection lawsuit with the Yanta District Court of Xi'an City. The lawsuit requested: 1. Revoke Enforcement Ruling of Xi'an Yanta District People's Court (2023) Shaan 0113 Zhiyi No. 370; 2. Request a judgment to lift the seizure measures on the land and cancel the evaluation and auction procedures for the land of Xi'an High-tech Chang'an Park State Land 2001 No. 007; 3. Lift the enforcement measures against the land of Xi'an High-tech Chang'an Park State Land 2001 No. 007. On 11 December 2023, the lawsuit against enforcement objection was heard. On 5 March 2024, Haitian Antenna received a civil judgment issued by the Yanta District Court of Xi'an City (Case No.: Civil Judgment of the People's Court of Yanta District, Xi'an City (2023) Shaan 0113 Minchu No. 21856). The judgment held that Haitian Antenna did not provide evidence to prove that the obstacles to the transfer had been removed, nor did it provide evidence to prove that the property rights were possible to be realized, and that the rights were not sufficient to exclude enforcement by the People's Court. Therefore, all of Haitian Antenna's claims were dismissed. The Company is dissatisfied with this judgment and plans to appeal again, with a view to correcting the first-instance judgment through the second-instance procedure.

The Company consulted and considered legal advice on the above matters. The legal adviser of the Company believed that obstacles to transfer of the land and above-ground attachments purchased by the Company could not be removed due to the seizure status. In view of this, regarding the Company's purchase of Xiangyu Aviation land and ground attachments, the amount of the Company's recoverable claims in the form of recovery of claims is estimated to be RMB4,525,224.00, and the impairment loss to be recognized is RMB14,020,776.00. By the end of 2022, an impairment loss of RMB9,309,639.56 was recognized, and RMB4,711,136.44 should be recognised during the year.

XVI. OTHER IMPORTANT MATTERS *(Continued)*

2. Segment information

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

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

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

The directors of the Company choose to manage the Group by different products and services. Specifically, the Group's reportable segments are as follows: sales of antenna products and provision of related services; sales of underwater monitoring products and related products; sales of aircraft products; sales of agricultural products.

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

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVI. OTHER IMPORTANT MATTERS (Continued)

2. Segment information (Continued)

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

Segment assets:

Segment	Closing balance	Opening balance
Sales of antenna products and provision of related services	52,044,541.59	84,036,841.77
Sales of underwater monitoring products and related products	5,426.49	3,111.96
Sales of aircraft products	1,074,772.65	1,670,053.49
Sales of agricultural products	5,094,037.92	5,887,762.73
Total segment assets	58,218,778.65	91,597,769.95
Unallocated assets	346,055.19	646,395.99
Total consolidated assets	58,564,833.84	92,244,165.94

Segment liabilities:

Segment	Closing balance	Opening balance
Sales of antenna products and provision of related services	75,944,485.69	51,285,780.63
Sales of underwater monitoring products and related products	527,018.82	214,890.24
Sales of aircraft products	2,355,766.70	23,120,807.57
Sales of agricultural products	1,260,934.95	877,077.31
Total segment liabilities	80,088,206.16	75,498,555.75
Unallocated liabilities	9,474,934.91	4,750,318.82
Total consolidated liabilities	89,563,141.07	80,248,874.57

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

XVI. OTHER IMPORTANT MATTERS (Continued)

2. Segment information (Continued)

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

Segment income and costs:

Sales of goods	Main business income for the year	Main business costs for the year
Sales of antenna products and provision of related services	7,725,160.79	6,106,099.22
Sales of agricultural products	4,551,537.81	4,209,290.86
Total	12,276,698.60	10,315,390.08

Segment income and performance:

Items	Sales of antenna products and provision of related services	Sales of agricultural products	Sales of aircraft products	Sales of underwater monitoring products and related products	Total
Income:					
External sales	7,725,160.79	4,551,537.81	0.00	0.00	12,276,698.60
Segment profit (loss)	-30,521,519.59	267,754.39	-195,010.54	-383,793.30	-30,832,569.04
Unallocated other gain	0.00	0.00	0.00	0.00	0.00
Unallocated corporate expenditure for changes in the fair value of financial assets at fair value through profit and loss	0.00	0.00	0.00	0.00	0.00
Financial costs	0.00	0.00	0.00	0.00	-839,494.70
Unallocated income	0.00	0.00	0.00	0.00	1,420,094.46
Unallocated expenses and expenditure	0.00	0.00	0.00	0.00	-12,734,991.71
Loss before tax	0.00	0.00	0.00	0.00	-42,986,960.99

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

1. Accounts receivable

(1) Accounts receivable presented by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	3,722,356.62	6,526,580.22
1-2 years	767,639.12	1,433,228.29
2-3 years	920,753.50	0.00
Over 3 years	1,298,167.80	1,300,000.00
Of which: Over 5 years	1,298,167.80	1,300,000.00
Total	6,708,917.04	9,259,808.51

(2) Accounts receivable presented by bad debts provision method

Type	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	1,298,167.80	19.35	1,298,167.80	100.00	0.00
Provision for bad debts by portfolio	5,410,749.24	80.65	372,585.31	6.89	5,038,163.93
Of which: Aging portfolio	5,410,749.24	80.65	372,585.31	6.89	5,038,163.93
Low-risk portfolio	0.00	0.00	0.00	0.00	0.00
Total	6,708,917.04	100.00	1,670,753.11	-	5,038,163.93

(Table continued)

Type	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	1,300,000.00	14.04	1,300,000.00	100.00	0.00
Provision for bad debts by portfolio	7,959,808.51	85.96	339,120.24	4.26	7,620,688.27
Of which: Aging portfolio	7,959,808.51	85.96	339,120.24	4.26	7,620,688.27
Low-risk portfolio	0.00	0.00	0.00	0.00	0.00
Total	9,259,808.51	100.00	1,639,120.24	-	7,620,688.27

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

1. Accounts receivable (Continued)

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

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

Name	Opening balance		Closing balance			Reason for provision
	Book balance	Provisions for bad debts	Book balance	Provisions for bad debts	Provision ratio (%)	
Shaanxi Yijia Haosen Industrial Development Co., Ltd.	1,300,000.00	1,300,000.00	1,298,167.80	1,298,167.80	100.00	Expected to be unrecoverable
Total	1,300,000.00	1,300,000.00	1,298,167.80	1,298,167.80	100.00	-

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

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	3,722,356.62	111,670.70	3.00
1-2 years	767,639.12	76,763.91	10.00
2-3 years	920,753.50	184,150.70	20.00
Total	5,410,749.24	372,585.31	-

(3) Provision for bad debts of accounts receivable made, recovered or written-back during the year

Type	Opening balance	Amount of changes for the year				Closing balance
		Provision	Recovered or written-back	Charge-off or write-off	Others	
Provisions for bad debts	1,639,120.24	33,465.07	1,832.20	0.00	0.00	1,670,753.11
Total	1,639,120.24	33,465.07	1,832.20	0.00	0.00	1,670,753.11

(4) Accounts receivable actually written off in the year

None.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

1. Accounts receivable (Continued)

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

The accounts receivable of top 5 debtors by closing balance in the year is RMB5,623,595.59 in total, the proportion to the total closing balance of accounts receivable is 83.82% and the corresponding closing balance of provision for bad debts is RMB1,634,286.50 in total.

2. Other receivables

Items	Closing balance	Opening balance
Interest receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	45,283,649.93	35,572,253.10
Total	45,283,649.93	35,572,253.10

2.1 Other receivables

(1) Classification of other receivables by nature

Nature of fund	Closing balance	Opening balance
Related current accounts	117,546,535.49	101,428,576.71
Provisional deposit	122,419.45	134,900.18
Deposits and security fund	614,000.00	468,890.00
Current accounts	301,363.14	100,763.14
Total	118,584,318.08	102,133,130.03

(2) Other receivables presented by aging

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	19,273,550.95	4,810,502.90
1-2 years	4,298,270.00	14,984,283.86
2-3 years	14,943,383.86	11,041,477.86
Over 3 years	80,069,113.27	71,296,865.41
Of which: 3-4 years	10,281,477.86	32,933,134.04
4-5 years	31,445,904.04	108,935.00
Over 5 years	38,341,731.37	38,254,796.37
Total	118,584,318.08	102,133,130.03

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2.1 Other receivables (Continued)

(3) Other receivables presented by bad debts provision method

Type	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	73,293,414.15	61.81	73,293,414.15	100.00	0.00
Provision for bad debts by portfolio	45,290,903.93	38.19	7,254.00	0.02	45,283,649.93
Of which: Aging portfolio	241,800.00	0.20	7,254.00	3.00	234,546.00
Low-risk portfolio	45,049,103.93	37.99	0.00	0.00	45,049,103.93
Total	118,584,318.08	100.00	73,300,668.15	—	45,283,649.93

(Table continued)

Type	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts by single item	66,556,777.93	65.17	66,556,777.93	100.00	0.00
Provision for bad debts by portfolio	35,576,352.10	34.83	4,099.00	0.01	35,572,253.10
Of which: Aging portfolio	41,200.00	0.04	4,099.00	9.95	37,101.00
Low-risk portfolio	35,535,152.10	34.79	0.00	0.00	35,535,152.10
Total	102,133,130.03	100.00	66,560,876.93	—	35,572,253.10

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2.1 Other receivables (Continued)

(3) Other receivables presented by bad debts provision method (Continued)

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

Name	Opening balance		Closing balance		Provision ratio (%)	Reason for provision
	Book balance	Provisions for bad debts	Book balance	Provisions for bad debts		
Xi'an Haitian Communication System Engineering Co., Ltd.	13,887,142.03	13,887,142.03	14,441,242.03	14,441,242.03	100.00	Expected to be unrecoverable
Haitian Antenna (Shanghai) International Trade Co., Ltd.	13,721,135.81	13,721,135.81	20,266,135.81	20,266,135.81	100.00	Expected to be unrecoverable
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	29,869.09	29,869.09	0.00	0.00	100.00	Expected to be unrecoverable
Xi'an Haitian Wireless System Equipment Co., Ltd.	38,556,473.17	38,556,473.17	38,536,473.17	38,536,473.17	100.00	Expected to be unrecoverable
Haitian Antenna Technologies (Hongkong) Limited	312,594.69	312,594.69	0.00	0.00	100.00	Expected to be unrecoverable
Xi'an New Haitian Communication Co., Ltd.	49,563.14	49,563.14	49,563.14	49,563.14	100.00	Expected to be unrecoverable
Total	66,556,777.93	66,556,777.93	73,293,414.15	73,293,414.15	-	-

2) Provision for bad debts of other receivables by portfolio

Aging portfolio

Aging	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Within 1 year (including 1 year)	241,800.00	7,254.00	3.00
Total	241,800.00	7,254.00	-

Other portfolio

Name of portfolio	Book balance	Closing balance Provisions for bad debts	Provision ratio (%)
Low risk portfolio	45,049,103.93	0.00	0.00
Total	45,049,103.93	0.00	-

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2.1 Other receivables (Continued)

(3) Other receivables presented by bad debts provision method (Continued)

3) Provision for bad debts of other receivables under the general model of expected credit losses

Provision for bad debts	Stage 1 Expected credit losses over the next 12 months	Stage 2 Lifetime expected credit loss (not credit- impaired)	Stage 3 Lifetime expected credit loss (credit- impaired)	Total
Balance at 1 January 2023	0.00	4,099.00	66,556,777.93	66,560,876.93
Balance at 1 January 2023 for the year	–	–	–	–
– Transfer to stage 2	0.00	0.00	0.00	0.00
– Transfer to stage 3	0.00	0.00	0.00	0.00
– Written back to stage 2	0.00	0.00	0.00	0.00
– Written back to stage 1	0.00	0.00	0.00	0.00
Provision for the year	0.00	3,155.00	7,099,100.00	7,102,255.00
Written-back for the year	0.00	0.00	362,463.78	362,463.78
Charge-off for the year	0.00	0.00	0.00	0.00
Written-off for the year	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance at 31 December 2023	0.00	7,254.00	73,293,414.15	73,300,668.15

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2.1 Other receivables (Continued)

(4) Provision for bad debts of other receivables made, recovered or written-back during the year

Type	Opening balance	Provisions	Amount of changes for the year			Closing balance
			Recovered or written-back	Charge-off or write-off	Others	
Provisions for bad debts	66,560,876.93	7,102,255.00	362,463.78	0.00	0.00	73,300,668.15
Total	66,560,876.93	7,102,255.00	362,463.78	0.00	0.00	73,300,668.15

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

Entity name	Amount of recovery or written-back	Reason for write-back	Recovery method	The basis for determining the original provisions for bad debts ratio and its rationality
Haitian Antenna Technologies (Hongkong) Limited	312,594.69	Money received	Bank transfer	Full provision, reasonable
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	29,869.09	Money received	Bank transfer	Full provision, reasonable
Xi'an Haitian Wireless System Equipment Co., Ltd.	20,000.00	Money received	Bank transfer	Full provision, reasonable
Total	362,463.78	-	-	-

(5) Other receivable actually written off in the year

None.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

2.1 Other receivables (Continued)

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

Entity name	Nature of fund	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Provisions for bad debts
Suzhou Haitian New Antenna Technologies Co., Ltd.	Related party transactions	44,295,284.48	1-5 years	37.35	0.00
Xi'an Haitian Wireless System Equipment Co., Ltd.	Related party transactions	38,536,473.17	1-5 years	32.50	38,536,473.17
Haitian Antenna (Shanghai) International Trade Co., Ltd.	Related party transactions	20,266,135.81	1-4 years	17.09	20,266,135.81
Xi'an Haitian Communication System Engineering Co., Ltd.	Related party transactions	14,441,242.03	1-5 years	12.18	14,441,242.03
China Mobile Communication Group Gansu Co. Ltd.	Deposit and security fund	280,000.00	2-3 years	0.24	0.00
Total	-	117,819,135.49	-	99.36	73,243,851.01

(7) Employee Loans Receivables

None.

3. Long-term equity investments

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	120,255,568.73	66,597,500.00	53,658,068.73	121,255,568.73	67,597,500.00	53,658,068.73
Total	120,255,568.73	66,597,500.00	53,658,068.73	121,255,568.73	67,597,500.00	53,658,068.73

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

3. Long-term equity investments (Continued)

(1) Investment in subsidiaries

Invested entity	Opening balance (book value)	Impairment	Changes for the year			Others	Closing balance (book value)	Impairment
		loss Opening balance	Additional investment	Decreased investment	Provision for impairment			loss Closing balance
Xi'an Haitian Communication System Engineering Co., Ltd	8,200,000.00	5,000,000.00	0.00	0.00	0.00	0.00	8,200,000.00	5,000,000.00
Xi'an Haitian Wireless System Equipment Co., Ltd.	20,000,000.00	20,000,000.00	0.00	0.00	0.00	0.00	20,000,000.00	20,000,000.00
Haitian Antenna (Shanghai) International Trade Co., Ltd.	20,000,000.00	20,000,000.00	0.00	0.00	0.00	0.00	20,000,000.00	20,000,000.00
Xi'an Haitian Marine Technologies Co., Ltd.	10,000,000.00	10,000,000.00	0.00	0.00	0.00	0.00	10,000,000.00	10,000,000.00
Xi'an Haitian Automotive Electronics Technologies Co., Ltd.	1,000,000.00	1,000,000.00	0.00	1,000,000.00	0.00	0.00	0.00	0.00
Xi'an Haitian Aviation & Aerospace Technologies Co., Ltd.	10,000,000.00	10,000,000.00	0.00	0.00	0.00	0.00	10,000,000.00	10,000,000.00
Beijing Hailan Taihang Technologies Development Co., Ltd.	1,000,000.00	0.00	0.00	0.00	0.00	0.00	1,000,000.00	0.00
Wuxi Shanshui Haitian Network Technologies Co., Ltd.	10,000,000.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00	0.00
Haitian Antenna Technologies (Hongkong) Limited	1,597,500.00	1,597,500.00	0.00	0.00	0.00	0.00	1,597,500.00	1,597,500.00
Suzhou Haitian New Antenna Technologies Co., Ltd.	39,458,068.73	0.00	0.00	0.00	0.00	0.00	39,458,068.73	0.00
Total	121,255,568.73	67,597,500.00	0.00	1,000,000.00	0.00	0.00	120,255,568.73	66,597,500.00

Note: Xi'an Haitian Automotive Electronics Technologies Co., Ltd. and Shaanxi Haitian Luotai Aviation Light Engine Technologies Co., Ltd. have completed the industrial and commercial deregistration procedures in October 2023.

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

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

4. Operating income, operating costs

(1) Operating income and operating costs

Items	Amount incurred in the year		Amount incurred in last year	
	Income	Costs	Income	Costs
Main business	7,233,996.23	5,348,300.19	12,087,958.79	9,258,259.94
Other businesses	32,285.71	0.00	439,864.52	86,927.81
Total	7,266,281.94	5,348,300.19	12,527,823.31	9,345,187.75

(2) Main business income – by product

Items	Amount incurred in the year		Amount incurred in last year	
	Income	Costs	Income	Costs
Sales of antenna products and provision of related services	7,233,996.23	5,348,300.19	12,087,958.79	9,258,259.94
Total	7,233,996.23	5,348,300.19	12,087,958.79	9,258,259.94

5. Investment gain

Items	Amount incurred in the year	Amount incurred in last year
Investment income from disposal of long-term equity investments	994,094.18	0.00
Total	994,094.18	0.00

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

SUPPLEMENTAL INFORMATION TO THE FINANCIAL STATEMENTS

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

Items	Amount for the year	Notice
Gains and losses on disposal of non-current assets (Including the write-off portion of asset impairment provisions that have been made)	496,279.19	
Government subsidies included in current profit and loss (except for government subsidies that are closely related to the company's normal business operations, comply with national policies and regulations, are entitled in accordance with determined standards, and have a lasting impact on the Company's profits and losses)	107,921.67	
Reversal of impairment provision for accounts receivable that has been individually tested for impairment	1,832.20	
Debt restructuring gains and losses	1,124.00	
Other non-operating income and expenses other than the above	-253,863.87	
Sub-total	353,293.19	
Less: Income tax impact	0.00	
Impact on minority interests (after-tax)	-11,586.87	
Total	364,880.06	-

Notes to the Financial Statements

1 January 2023 to 31 December 2023 (Monetary unit for the Notes to the Financial Statements is in RMB unless otherwise stated)

SUPPLEMENTAL INFORMATION TO THE FINANCIAL STATEMENTS (Continued)

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

Profit for the reporting period	Weighted average return on net assets (%)	EPS (Yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to the ordinary shareholders of the parent company	-359.67	-0.0226	-0.0226
Net profit attributable to the ordinary shareholders of the parent company after deduction of non-recurring gains and losses	-362.72	-0.0228	-0.0228

The calculation method of the numerator of basic EPS: Net profit attributable to the shareholders of the parent company RMB-42,980,083.20.

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

The calculation method of the numerator of diluted EPS: Net profit attributable to the shareholders of the parent company RMB-42,980,083.20.

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

3. Differences in accounting data under domestic and foreign accounting standards

None.

Xi'an Haitian Antenna Technologies Co., Ltd.

28 March 2024

Financial Summary

CONSOLIDATED BALANCE SHEET

	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Total assets	92,244,165.94	117,517,885.18	106,223,494.95	125,322,714.68	60,702,283.48
Total liabilities	80,248,874.57	95,249,692.35	61,281,943.49	87,728,740.27	33,990,102.57
Total shareholders' equity	11,995,291.37	22,268,192.83	44,941,551.46	37,593,974.41	26,712,180.91

CONSOLIDATED INCOME STATEMENT

	For the year of 2022	For the year of 2021	For the year of 2020	For the year of 2019	For the year of 2018
Operating income	20,530,084.65	39,067,769.85	12,177,460.98	39,163,021.88	44,455,522.46
Net profit ("() for net loss)	(30,272,901.46)	(22,673,358.63)	(34,538,903.67)	(24,097,943.46)	(40,967,596.21)