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)

(Stock Code: 8227)

2007 Annual Report

*For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 requirements of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.

* *For identification purpose only*

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Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.66 Jinye Road
Xi'an National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2708–11, West Tower, Shuk Tak Centre
168–200 Connaught Road Central
Hong Kong

GEM STOCK CODE

8227

WEBSITE

www.xaht.com
www.htantenna.com

LEGAL ADVISERS AS TO HONG KONG LAW

Kirkpatrick & Lockhart Preston Gates Ellis

AUDITORS

SHINEWING (HK) CPA Limited

COMPANY SECRETARY

Mr. Chan Pak Kin Ken (陳伯健先生)

QUALIFIED ACCOUNTANT

Mr. Chan Pak Kin Ken (陳伯健先生)

MEMBERS OF AUDIT COMMITTEE

Mr. Lei Huafeng (雷華鋒先生), (Chairman)
Professor Gong Shuxi (龔書喜教授)
Mr. Li Wenqi (李文琦先生)

MEMBERS OF REMUNERATION COMMITTEE

Mr. Qiang Wenyu (強文郁先生), (Chairman)
Mr. Lei Huafeng (雷華鋒先生)
Mr. Luo Maosheng (羅茂生先生)

MEMBERS OF NOMINATION COMMITTEE

Professor Gong Shuxi (龔書喜教授), (Chairman)
Mr. Qiang Wenyu (強文郁先生)
Mr. Xing Changling (杏昌靈先生)

AUTHORISED REPRESENTATIVES

Mr. Xiao Bing (肖兵先生)
Mr. Dang Changshui (黨長水先生)

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE

Mr. Chan Pak Kin Ken (陳伯健先生)

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
No. 42 Gao Xin Road
Xi'an National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province
The People's Republic of China

Shanghai Pudong Development Bank
No.3 Bei Da Jie
Xin Cheng District
Xi'an, Shaanxi Province
The People's Republic of China

Agricultural Bank of China
No.25 Gao Xin Road
Xi'an National Hi-tech Industrial Development Zone
Xi'an, Shaanxi Province
The People's Republic of China

Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors (the "Board"), 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 2007.

The Group went past a tough year and recorded its first year of loss in 2006. In 2007, the date of release for 3G licence in the PRC was still uncertain and the competition in the maturing domestic 2G mobile communications market was continued to intense. Accordingly, we realigned our marketing strategies by shifting the focus to the development of overseas market. Fortunately, we succeeded in exploring the export sales to developing countries. Therefore, our revenue from the export sales had significant increment to compensate the decrease in domestic sales. The Group also had successfully invented a new technology during the year, by using which our production costs could be substantially reduced and the profit margin of products was improved. We hereby announce that the Group's results turned back to profit for the financial year ended 31 December 2007.

Although 3G standard of the PRC has not been formally launched, we are still optimistic about the tremendous opportunities that 3G will bring to the development of the business of the Group. Therefore, the Company entered into an agreement with Datang Mobile Communication Equipment Co., Ltd. ("Datang Mobile") on 22nd December 2007 to acquire 35% equity interest in Jiazai Telecommunications Equipment Company Limited ("Jiazai") from Datang Mobile. After the acquisition, Jiazai is our wholly-owned subsidiary and the Group can exercise more efficient control and management on its operations and business strategy. The Group will continue to focus on developing 3G related products through Jiazai in order to capture the market opportunities once the 3G licence is officially released in the PRC.

Besides, Jiazai had successfully developed new 3G related products namely 3G repeater and trunk amplifier technologies (the "New Products & Technologies") during the year. We believe that the technology edge of the Group will be further strengthened by leveraging on the New Products & Technologies.

Despite the fact that the Group' result had the improvement in 2007, we know that the continuing improvement on our efficiency of operations, the development of new products and the strengthen of our market competitiveness are the important factors to our future success. Therefore, the Group will continue to strengthen our cost control, develop more new products and further expand our customer base and overseas market. We look forward to continuing our growth in sales and further improving profit margin in the coming years.

On behalf of the Board, I would like to express my gratitude to our shareholders, suppliers and customers for their continual support and I also take this opportunity to express my sincere thanks to our employees for their support and contribution.

Professor Xiao Liangyong
Chairman

Xi'an, the PRC
26 March 2008

Management Discussion and Analysis

BUSINESS REVIEW

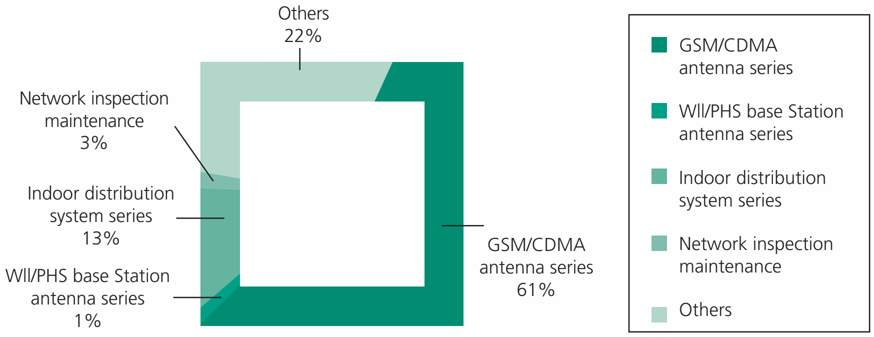
Revenue

The Group recorded a turnover of approximately RMB135.0 million for the year ended 31 December 2007, representing an increase of approximately 15.3% from last year. The increase was mainly attributable to the success of exploring the export sales to developing countries.

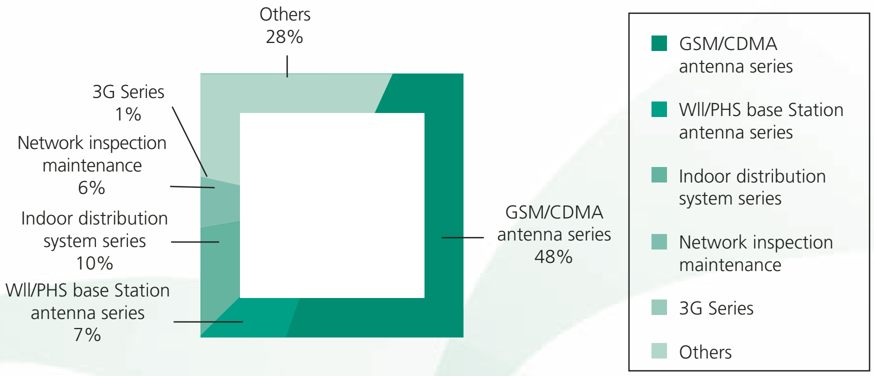
In response to the anticipated decline in sales of 2G products in the domestic market, the Group had more actively developing the international market during the year. The contribution of export sales to the Group's revenue were increased from 24.1% in 2006 to 47.1% in 2007.

Composite of sales by product line for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006, are provided as follows:

For the year ended 31 December 2007 (by product lines)

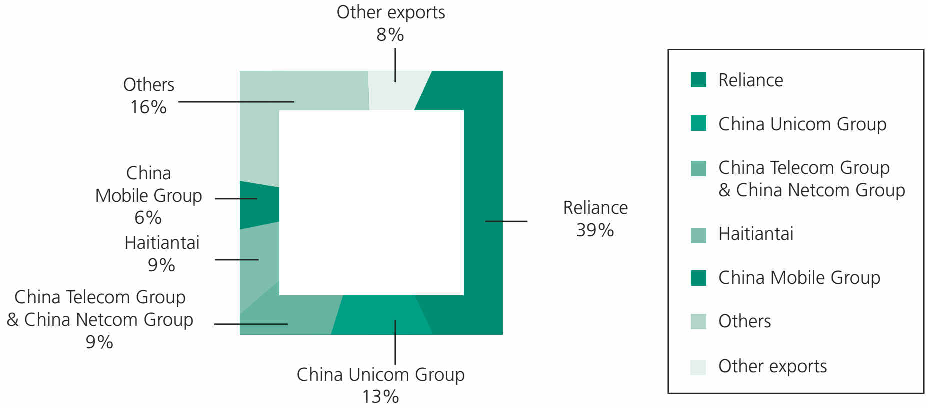


For the year ended 31 December 2006 (by product lines)

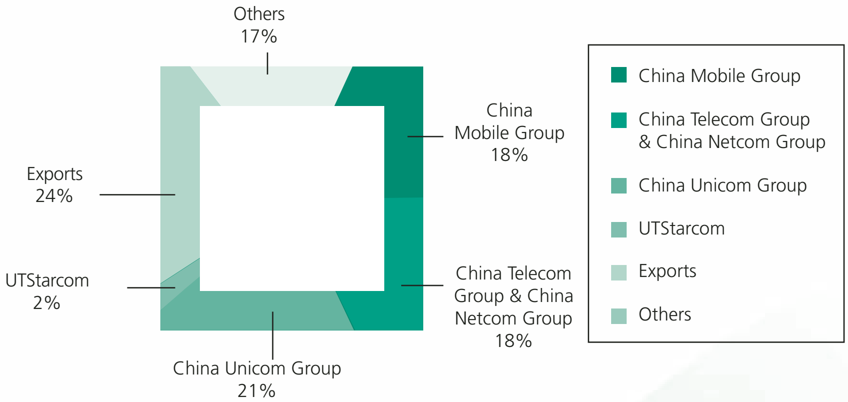


Composite of turnover by major customers for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006, are provided as follows:

For the year ended 31 December 2007 (by major customers)



For the year ended 31 December 2006 (by major customers)



Legend:

Reliance: Reliance Communications Limited, India

UTStarcom: UT 斯達康通訊有限公司 (UTStarcom Telecom Co., Ltd.) ("UTStarcom")

China Telecom Group & China Netcom Group: 中國電信集團公司 (China Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Telecom Group") and 中國網絡通信有限公司 (China Netcom Corporation Limited) and its subsidiaries and branch companies (collectively "China Netcom Group")

China Unicom Group: 中國聯合通信有限公司 (China United Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Unicom Group")

China Mobile Group: 中國移動通信集團公司 (China Mobile Communications Corporation) and its subsidiaries and branch companies (collectively "China Mobile Group")

Haitiantai: 深圳市海天泰通訊設備有限公司 (Haitiantai Communication Equipment Co., Ltd.)

Gross Profit

The Group's gross profit for the year 2007 amounted to approximately RMB48.7 million, representing an increase of approximately 125.8% over 2006. Gross profit margin was 36.1% in 2007 compared to 18.4% in 2006. The rising gross profit margin was due to the production of some spare parts and finished goods were sub-contracted to the outsiders in the previous years, while most of the production was carried out by the Group this year. With the imposition of cost control by the Group, the cost of sales could be reduced. Besides, the Group had successfully invented the "low cost, broadband-based antennas feeder units (天饋單元) suitable for antenna in mobile communications based station" during the year. It could substantially increase the production efficiency, reduce the production cost of product units and increase the Group's profit margin for the year.

Other Revenue and Gain on Disposal of Intangible Assets

Other revenue was approximately RMB12.4 million, representing approximately 13.4 times over 2006. The significant increase was mainly due to government grants increased from approximately RMB189,000 in 2006 to approximately RMB8.0 million in 2007. The gain on disposal of intangible assets of approximately RMB12.1 million was arisen from the termination of the technology licence agreement dated 30 December 2005 between Jiazai Telecommunications Equipment Company Limited ("Jiazai") and Datang Mobile Communication Equipment Co., Ltd. (大唐移動通訊設備有限公司) ("Datang Mobile") pursuant to an agreement dated 22nd December 2007 between, among others, the Company and Datang Mobile. Under the terms of this agreement, Jiazai returned the technological know-how for TD-SCDMA mini-cellular base station to Datang Mobile at the consideration of RMB60 million.

Operating Costs and Expenses

Distribution costs were approximately RMB16.5 million, representing a decrease of approximately 41.9% over year 2006. This was primarily a result of the Group's strengthened budgetary control. Some customers also changed to the centralised purchasing policies and traded directly with sales department at head office during the year, so the Group could reduce the operating expenses of sales offices and save the agency fees. Besides, with more focused sales and marketing efforts on developing international market, distribution costs were utilized more efficiently.

Administrative expenses had also decreased by approximately RMB9.6 million, representing a decrease of 24.5% as compared with the year 2006. Since the Group had strengthened the credit management of our customers and inventory management in 2007, no impairment losses for bad and doubtful debts was made this year as compared to the impairment losses of approximately RMB6.3 million in 2006. Moreover, provision for obsolete inventories was also decreased from approximately RMB3.2 million in 2006 to approximately RMB1.9 million this year.

Finance costs amounted to approximately RMB7.4 million, representing a decrease of approximately RMB3.7 million comparing with year 2006. The decrease was mainly resulted from the Group used the net cash generated from operating and investing activities to finance the operations and reduced the bank borrowings in 2007.

Consequently, profit attributable to shareholders for the year ended 31 December 2007 was approximately RMB0.9 million compared to a loss attributable to shareholders of approximately RMB69.9 million in the prior year. The net profit position was mainly due to the increase in gross profit and better controls in costs and expenses as mentioned above.

PROSPECTS

3G potentials

During 2007, Jiazai had successfully developed new 3G related products namely 3G repeater and trunk amplifier technologies. These new products and technologies had further strengthened our technology edge in 3G products.

We expect the PRC government will launch 3G mobile technology standard before Beijing Olympic Games, and the 3G licence will also be released afterwards. Therefore, the Group will continue to focus on developing 3G related products and the Directors still remain cautiously optimistic about the opportunities that 3G will bring to the Group.

Global income source

The Group proactively developed the international market over the past few years and which became the key revenue driver of the Group. In 2007, the export sales contributed approximately 47.1% of revenue to the Group. The Directors believe that the continue expansion of the Group's presence in the global market will help to broaden our brand recognition as well as our customer base.

Enhancement of competitiveness

As the operating costs significantly affect to the Group's profit margin and profit attributable to the Equity holders, the Group had strengthened the cost controls on production, distribution and administration during the year. In the future, the Group will continue to improve the production management to further strengthen cost controls and optimize resources allocation. The Directors believe that the above initiatives can enhance our competitive capabilities in the market.

On the other hand, the Group will streamline its resources in research and development activities. In 2007, the Group had successfully invented the "low cost, broadband-based antennas feeder units (天饋單元) suitable for antenna in mobile communications based station". It could substantially reduce the production cost of product units and increase the Group's profit margin. Therefore, the Group will more focus on broadening high margin product portfolio in a timely manner and in cost efficient way.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by cash from operations and banking facilities. As at 31 December 2007, the Group had bank loans of approximately RMB86.8 million and other loans of approximately RMB6.6 million which were all repayable within one year. These borrowings were mainly used for the Group's daily operations and finance of properties under construction.

As at 31 December 2007, all of the Group's interest-bearing borrowings borne fixed interest rates ranging from 6.48% to 10.53%. Since all the borrowings were denominated in RMB, the Directors consider that exposure to foreign exchange risk was minimal.

As at 31 December 2007, the Group's gearing ratio decreased to 55.1% (2006: 98.1%), which is calculated based on total borrowings of approximately RMB93.4 million and total shareholders' funds of approximately RMB169.5 million. Cash and cash equivalents decreased from approximately RMB47.9 million to RMB6.2 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and were denominated in either Hong Kong dollars or RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2007, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHARGES ON GROUP ASSETS

As at 31 December 2007, the Group pledged bank deposits of approximately RMB3.2 million, buildings of carrying value of approximately RMB25.2 million, prepaid lease payments of carrying value of approximately RMB0.9 million and trade receivables of approximately RMB6.8 million for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Since most 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, the Group had approximately 666 full-time employees. Total staff costs for the year 2007 amounted to approximately RMB22.4 million (2006: RMB24.7 million), including remuneration of the Directors and members of the supervisory committee (the "Supervisors"). The Group reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. 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.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries, the Group did not hold any significant investment for the year ended 31 December 2007.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2007, the Group had capital expenditure contracted for but not provided in the financial statements in respect of construction cost on properties under construction and acquisition of property, plant and equipment amounted to approximately RMB4.9 million (2006: RMB6.9 million).

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

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraph headed "Significant Investment Held" above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2007.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2007, sales to the top five customers and the largest customer accounted for approximately 76.8% (2006: 70.9%) and 39.3% (2006: 20.5%) respectively of the Group's total turnover.

For the year ended 31 December 2007, purchases from the top five suppliers and the largest supplier accounted for approximately 33.8% (2006: 43.4%) and 13.8% (2006: 11.9%) respectively of the Group's total purchases.

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

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practice (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 December 2007.

THE BOARD OF DIRECTORS

Composition and function

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. As at 31 December 2007, the Board comprised eleven Directors, including the Chairman, two executive Directors, three independent non-executive Directors and five non-executive Directors. Biographies of the Directors are set out in the Directors' Report.

Members of the Board comprise experts from diverse business and professional backgrounds who have served relevant PRC government organizations, listed companies, multinational or other organizations. All of the members of the Board have many years of experience in investment, business operation, financial management and corporate administration.

The current composition of the Board is considered to be a reasonable balance between executive and non-executive Directors, and be able to provide adequate checks for safeguarding the interests of shareholders of the Company.

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 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.

Board meetings and attendance

The Board meets at least quarterly and additional Board 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.

Details of Directors' attendance records in 2007:

	Number of meetings attended/Total
Executive Directors	
Professor Xiao Liangyong (Chairman) (appointed on 30 November 2007)	1/1
Mr. Xiao Bing	6/6
Mr. Zuo Hong (appointed on 20 May 2007)	4/4
Mr. Zhou Tianyou (resigned on 20 May 2007)	2/2
Mr. Liang Zhijun (resigned on 11 September 2007)	3/5
Non-Executive Directors	
Mr. Luo Maosheng (appointed on 20 May 2007)	4/4
Mr. Xing Changling (appointed on 20 May 2007)	4/4
Mr. Li Wenqi	6/6
Ms. Wang Jing	4/6
Mr. Sun Wenguo	6/6
Mr. Wang Ke (resigned on 20 May 2007)	1/2
Mr. Liu Yongqiang (resigned on 20 May 2007)	2/2
Independent Non-Executive Directors	
Professor Gong Shuxi	6/6
Mr. Lei Huafeng (appointed on 20 May 2007)	4/4
Mr. Qiang Wenyu	6/6
Mr. Wang Pengcheng (resigned on 20 May 2007)	2/2

DIRECTORS' SECURITIES TRANSACTIONS

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

INDEPENDENCE

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

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005 and consists of three members, majority of which being independent non-executive Directors. The Chairman of the committee is Mr. Qiang Wenyu, an independent non-executive Director, and other members include Mr. Lei Huafeng and Mr. Luo Maosheng.

The committee met once in 2007 and was attended by all committee members. The policy for the remuneration of executive Directors and senior management was reviewed by the committee. Remuneration, including 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 and profitability, as well as industry practice. The committee ensures that no Director is involved in deciding his own remuneration.

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

NOMINATION COMMITTEE

The Nomination Committee was established in December 2005 and consists of three members, majority of which being independent non-executive Directors. The chairman of the committee is Professor Gong Shuxi, an independent non-executive Director, and other members include Mr. Qiang Wenyu and Mr. Xing Changling.

The Nomination Committee is responsible for formulating nomination policy, reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board on selection and appointment of Board members. The committee met once in 2007 and was attended by all 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 specific terms of reference of the Nomination Committee is posted on the Company's website.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules in April 2003, The Audit Committee is currently chaired by, an independent non-executive Director, Mr. Lei Huafeng and the other members are Professor Gong Shuxi and Mr. Li Wenqi, 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 financial reporting, internal control, audit and performs other duties as assigned by the Board, and reports its work, findings and recommendations to the Board after each meeting in respect of the above matters as well as to the operating risks faced by the Group. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2007.

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

The Audit Committee held four meetings in 2007 discussing the Group's annual results for 2006, quarterly results for 2007, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Non-Executive Directors	
Mr. Li Wenqi	4/4
Independent Non-Executive Directors	
Professor Gong Shuxi	3/4
Mr. Lei Huafeng	1/3
Mr. Wang Pengcheng	1/1

AUDITORS' REMUNERATION

During 2007, the fees paid to external auditors for audit services amounted to RMB390,000.

INTERNAL CONTROL

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The Board will conduct regular review internal control systems of the Group. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by management. Besides, the Audit Committee and the Board also performed quarter review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Professor Xiao Liangyong (肖良勇教授), aged 72, graduated from 張家口解放軍通訊工程學院 (Zhangjiakou PLA Communication Engineering College) (now known as 西安電子科技大學 (Xidian University) in 1957 with a degree in radio engineering. He took positions as the tutor, lecturer, associate professor, professor and dean of the sixth department (currently the electronic engineering college) and antenna development centre of Xidian University from January 1957 to January 1998. Professor Xiao was an executive director and the general manager of 西安海天通訊設備有限公司 (Xi'an Haitian Communications Equipment Company Limited), the predecessor of the Company, from January 2000 to October 2000. Besides, Professor Xiao was the Chairman of the Company from October 2000 to August 2004 and was an executive Director from the date of listing of the Company in November 2003 to March 2005. Professor Xiao is the father of and a person acting in concert with Mr. Xiao Bing. Professor Xiao was elected the chairman of the Board on 30 November 2007.

Mr. Xiao Bing (肖兵先生), aged 42, he is a son of Professor Xiao Liangyong, the founder of the Company. Mr. Xiao studied in the college of continuous education of 西安電子科技大學 ("Xidian University"). He worked in 西安石油勘探儀器總廠 General Factory of Oil Instruments*) from 1988 to 1991 and was the deputy general manager of 西安海天通訊設備有限公司 (Xi'an Haitian Communications Equipment Company Limited*, "Xi'an Haitian Communications") from 1999 to 2000. He joined the Group as an executive Director and first assumed the post of the president of the Company since October 2000. Mr. Xiao Bing was the chairman of the Board from August 2004 to November 2007.

Mr. Zuo Hong (左宏先生), aged 44, graduated from 西安電子科技大學 (Xidian University) and obtained the qualification of Senior Engineer in 2005. He had been the instructor of Armed Police Force of Xi'an. He took the position of trainer and chief technical director of engineering and technology department in 西安慧良電子科技有限公司 (Xi'an Huiliaing Electronic Technologies Co., Ltd.) in 1995 and 1997 respectively. Since September 1999, he had been the chairman and general manager of 西安天地通通信發展有限公司 (Xi'an Tianditong Communication Development Co., Ltd.). Mr. Zuo was appointed as the general manager of 西安海天通訊系統工程公司 (Xi'an Haitian Communication System Engineering Co., Ltd.), a subsidiary of the Company, in July 2006. In December 2006, he served as assistant to the chief executive director of 西安海泰科通訊設備有限公司 (Xi'an Hi-tech Communication Equipment Co., Ltd.), a subsidiary of the Company, since December 2006 and the head of the sales and marketing department of the Company since 2007.

Non-executive Directors

Mr. Luo Maosheng (羅茂生先生), aged 45, graduated from 西安市商業學校 (Xi'an Business School) in 1980 and from 西北大學 (Northwest University) in MBA advanced studies in 2002. He obtained the qualification of senior accountant in 1998 and the honors of "Chinese Outstanding accountant" and "National Outstanding CFO" in 2005. With over 20 years experience in financial management, Mr. Luo had served at several management positions. In 1986, he served as the head of the finance division and deputy chief accountant of Tancheng Shopping Mall. In 2004, Mr. Luo served as the financial controller of 西安銀橋生物科技有限公司 (Xi'an yinqiao Biotechnology Company Limited). He has been the financial controller and director of Xi'an Jiefang Group since 1995 and deputy general manager of Xi'an Jiefang Group since 2006.

Mr. Xing Changling (杏昌靈先生), aged 40, senior accountant, graduated from 陝西財經學院 (Shaanxi Finance and Economics College) in 1991 and received a master degree from 西北大學 (Northwest University) in 1999. He joined 西安國際信託投資有限公司 (Xi'an International Trust & Investment Co., Ltd.*, ("XITIC")), a substantial Shareholder, in 1986, and served as the vice-director of planning and finance department in 1992, the manager of international business department in 1994, has been appointed as the vice general manager of XITIC since 1997. He is also the chairman of 西安盈訊投資有限公司 (Xi'an YingXun Investment Trust Co., Ltd.) and 西安經濟技術開發區資產投資有限公司 (The Assets Investment Co., Ltd. of Xi'an Economics Development Zone) respectively.

Mr. Sun Wenguo (孫文國先生), aged 32, graduated from the Department of International Finance of 陝西財經學院 (Xi'an Financial and Economic Institute) in 1998 with a bachelor degree. Mr. Sun previously worked in international section of Industrial and Commercial Bank of China, Dalian Branch and 西安高新醫院有限公司 (Xi'an Gaoxin Hospital Co., Ltd.). Currently, he holds the positions of the head of investment department and chairman of the 6th supervisory committee of 西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited) which is previously known as 西安解放集團股份有限公司 (Xi'an Jiefang Group Joint Stock Co., Ltd.) and he is also the supervisor of 西安開元商城有限公司 (Xi'an Kaiyuan Shopping Mall Co., Ltd.). 西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited) is a shareholder of the Company interested in approximately 15.45% of the issued share capital of the Company.

Mr. Li Wenqi (李文琦先生), aged 42, graduated from 陝西財經學院 (Shaanxi College of Finance and Economics, now known as 西安交通大學 (Xi'an Jiaotong University)). He worked for 陝西絲綢進出口公司 (Shaanxi Silk Import & Export Corporation, one of the substantial shareholders, "Shaanxi Silk") as the deputy chief and manager of planning and finance department from October 1987 to April 1994 and from April 1994 to October 1997 respectively and the assistant to general manager and manager of planning and finance department from October 1997 to May 2001. He is an accountant and the chief accountant and manager of planning and finance department of Shaanxi Silk since May 2001. He joined the Company as a non-executive Director since October 2000.

Ms. Wang Jing (王京女士), aged 36, graduated from 北京財貿學院 (Beijing Finance and Trade College) in September 1988. Ms. Wang was the vice general manager of 北京京泰投資管理中心 (Beijing Holdings Investment Management Co., Ltd., "Beijing Holdings"), one of the substantial shareholders, since February 2004 and was elected as a non-executive Director since May 2004.

Independent non-executive Directors

Professor Gong Shuxi (龔書喜教授), aged 51, graduated from 西北電訊工程學院 (Northwest Institute of Communications Engineering, now known as Xidian University) with a bachelor degree, and from Xi'an Jiantong University with master and doctorate degrees in electromagnetic and microwave technology and is a professor. Professor Gong became the professor in Antenna Research Institute of Xidian University in 1997. Since October 2000, he was elected as an independent non-executive Director.

Mr. Lei Huafeng (雷華鋒先生), aged 44, had obtained a MBA from 西北大學 (Northwest University). Mr. Lei worked as vice general manager of 西安產權交易中心 (Xi'an Property Rights Exchange Center) in 1992 and general manager of 西安正衡資產評估公司 (Xi'an Zenith Assets Evaluation Co., Ltd.) in 1997. He has been the chairman of Xi'an Zenith Assets Co., Ltd. and Shaanxi Zenith Group (陝西正衡集團公司) since 2000. In 2003, Mr. Lei was elected as 陝西省政協 (the commissioner of the ninth session of CPPCC Shaanxi Committee). Besides, Mr. Lei also holds various positions including the vice-chairman of 陝西省註冊會計師協會 (Shaanxi CPA); the member of 陝西省審計學會 (Shaanxi Audit Committee); the independent director of China Dairy Group (中國乳業), a company listed on the Singapore Stock Exchange; 天地源股份有限公司 (Tande Co., Ltd.), a listed company with its domestic A shares trading on the Shanghai Stock Exchange; and 西安旅遊（集團）股份有限公司 (Xi'an Tourism Group), a listed company with its domestic A shares trading on the Shenzhen Stock Exchange. He is the director of Cartell of 陝西省股份制企業聯合會 (Shaanxi Joint Stock Company Union); the vice-chairman of 西安市體制改革研究會 (Xi'an System Reform Research Committee); and the counselor of 西安市國有資產監督管理委員會 (State-owned Assets of Supervision and Administration Commission of Xi'an Municipal Peoples Government).

Mr. Qiang Wenyu (強文郁先生), aged 34, graduated from the School of Management and Economics of 北京理工大學 (Beijing Institute of Technology) in 1994 and joined the service of 中國北方工業公司 (China North Industries Corporation) in 1995. In 1998, he served as general manager of NIC Sports Inc. In 2003, Mr. Qiang assumed office as the deputy general manager of Silver City International (Holdings) Limited and the general manager of Throne Star International Limited. Mr. Qiang is a non-executive director of Raymond Industrial Ltd., a company listed on the main board of the Stock Exchange. He was elected as an independent non-executive Director since December 2005.

SUPERVISORS

Mr. Liu Yongqiang (劉永強先生), aged 71, graduated from the 西北新聞刊授學院 (Northwest Journalism Institute) in 1987 and became the deputy secretary-general of Xi'an Municipal People's Government in 1989. Mr. Liu became the chairman of XITIC, a substantial Shareholder, in 1999 and joined the Company as a non-executive Director from October 2000.

Ms. Sun Guilian (孫桂蓮小姐), aged 44, graduated from the 中南財經政法大學 (Zhongnan University of Economics and Law) majoring in business administration in 2002. She was employed by the No. 704 factory of the State and worked in the enterprise statistics department from 1984 to 2000. Ms. Sun joined the Group in September 2000 and was elected as a Supervisor in July 2002.

Mr. Yang Jun (楊君先生), aged 42, possesses the qualification of economist and was graduated from finance department of 吉林財貿學院 (Jilin Finance and Economics College) in 1989. He joined 建設銀行陝西省分行 (Shaanxi Branch of Construction Bank of China) in 1989, then served as the vice director of WeiYang Road Branch in 2000. He served as the vice general manager of 陝西華能電子科技有限公司 (Shaanxi HuaNeng Electronic Technologies Co., Ltd.) and the vice general manager of 招商銀行西安分行 (Xi'an Branch of China Merchants Bank). He was appointed as the general manager of self-supporting business department of XITIC in 2004. He is also the general manager of 西安盈訊投資有限公司 (Xi'an YingXun Investment Trust Co., Ltd.) and the chairman of the supervisory committee of 西安交大捷普網絡科技股份有限公司 (Xi'an JiaoDa Jump Network Technologies Co., Ltd.).

Professor Shi Ping (師萍教授), aged 58, holds a doctorate degree. Professor Shi has started working as a professor, tutor of doctorate students, deputy manager of the Institute of Economics and Management in 西北大學 (Northwest University) since December 1985. Currently, she is an independent non-executive director of Xi'an Jiefang Group. She was elected as a Supervisor in October 2002.

Mr. Mei Jie (梅杰先生), aged 38, graduated from 北京旅遊學院 (Beijing Tourism College), was the general manager of 西安隆富電子科技有限公司 (Xi'an LongFu Technologies Co., Ltd.) in 1993. He joined the Company as deputy supervisor of the sales department in 2000. He is the mimority shareholder and the general manager of Xi'an Hi-tech Communication Software Co., Ltd., a subsidiary of the Company since 2005.

SENIOR MANAGEMENT

Mr. Fang Xi (方曦先生), aged 37, graduated from the agricultural finance department of 中南財經政法大學 (Zhongnan University of Economics and Law) in 1993 and worked as head of finance department and deputy chief accountant of 國營黃河機器制造廠 (State-owned Huanghe Machinery Plant) from 1993 to 2001. Currently, he is responsible for the finance function of the Group. Mr. Fang was nominated by the Board as an executive Director effective in April 2005 and had resigned from the post of executive Director in September 2005.

Mr. Pan Zhiqing (潘志青先生), aged 45, graduated from 清華大學 (Tsinghua University) in August 1984 with a bachelor degree in Computer Science and Engineering, in 1987 with a master degree from 中國科學院數學研究所 (Institute of Mathematics in Chinese Academy of Sciences). Mr. Pan worked for 深圳安科公司 (Analogic Scientific Inc.) as team leader and assistant manager in MRI Department during August 1987 to July 1994, and as vice general manager in 深圳市聯宜九天電子技術有限公司 (Shenzhen Topsky Electronic Co., LTD.) and 深圳市泰立康電子有限公司 (Shenzhen Telecom Electronic Co., LTD.) during August 1994 to July 1997 and during August 1997 to July 1999 respectively. Before joining the Group, Mr. Pan worked as a general manager in 深圳市海天泰通訊設備有限公司 (Shenzhen Haitian-Tech Communications Co., LTD.). Mr. Pan was appointed as the Vice President of the Group in October 2006.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Pak Kin, Ken (陳伯健先生), aged 35, holds a bachelor degree in Business from Monash University, Australia. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has more than ten years of experience in the field of auditing and business advisory, accounting, taxation, company secretarial and financial management.

Report of the Supervisory Committee

To the Shareholders,

During the year ended 31 December 2007, the Supervisory Committee of the Company (the "Committee" or the "Supervisors") thoroughly performed its duties faithfully in accordance with the provisions of the Company Laws of the PRC, Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the articles of association (the "Articles") of the Company. Adhering to the principles of safeguarding interests of the 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 2007 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 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 of Directors. We are of the opinion that the audited financial statements for the year ended 31 December 2007 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

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

By order of the Supervisory Committee

Mr. Mei Jie
Chairman

Xi'an, the PRC
26 March 2008

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the research and development, manufacture and sale of base station antennas and related products.

The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 29 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2007.

DISTRIBUTABLE RESERVES

In accordance with the Articles of Association of the Company, 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. 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 2007 and 31 December 2006.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2007 is set out on page 74 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB9.4 million on plant and equipment and approximately RMB8.7 million on properties under construction to expand and upgrade its production capacity.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

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

Executive directors:

Professor Xiao Liangyong *(Chairman)* (appointed on 30 November 2007)
Mr. Xiao Bing
Mr. Zuo Hong (appointed on 20 May 2007)
Mr. Zhou Tianyou (resigned on 20 May 2007)
Mr. Liang Zhijun (resigned on 11 September 2007)

Non-executive directors:

Mr. Luo Maosheng (appointed on 20 May 2007)
Mr. Xing Changling (appointed on 20 May 2007)
Mr. Li Wenqi
Ms. Wang Jing
Mr. Sun Wenguo
Mr. Wang Ke (resigned on 20 May 2007)
Mr. Liu Yongqiang (resigned on 20 May 2007)

Independent non-executive directors:

Professor Gong Shuxi
Mr. Lei Huafeng (appointed on 20 May 2007)
Mr. Qiang Wenyu
Mr. Wang Pengcheng (resigned on 20 May 2007)

Supervisors:

Mr. Liu Yongqiang (appointed on 20 May 2007)
Ms. Sun Guilian
Mr. Yang Jun (appointed on 20 May 2007)
Professor Shi Ping
Mr. Mei Jie (appointed on 20 May 2007)
Mr. Hu Hui (resigned on 20 May 2007)
Mr. Liu Jiyang (resigned on 20 May 2007)
Mr. Gu Linqiang (resigned on 20 May 2007)

1. 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 19 May 2010 subject to renewal upon approval by the Shareholders for one or more consecutive terms of three years.

In accordance with the provisions of the Articles of Association, 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.

2. **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', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 31 December 2007, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company, including their respective associates, in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Domestic Shares of the Company

Name of Director	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert *(Note 1)*	180,000,000	37.09%	27.81%
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation *(Note 1)*	180,000,000	37.09%	27.81%
Mr. Zuo Hong (左宏)	Personal	Held by controlled corporation *(Note 2)*	75,064,706	15.47%	11.60%

Notes:

1. The Domestic Shares were held by 西安天安投資有限公司 (Xi'an Tian An Investment Company Limited*, "Tian An Investment"), which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by Ms. Yao Wenli. Professor Xiao Liangyong is the father of and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, Professor Xiao Liangyong and Mr. Xiao Bing were deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.

2. The Domestic Shares were held by 深圳市匯泰投資發展有限公司 (Shenzhen Huitai Investment Development Company Limited*) ("Shenzhen Huitai"), which is beneficially owned by Mr. Zuo Hong and Zhang Yinghua in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2007 as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2007, 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.

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

As at 31 December 2007, the following persons or entities (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(A) Substantial shareholders of the Company

Long positions in Domestic Shares of the Company

Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Domestic Shares					
Tian An Investment	Corporate	Beneficial owner	180,000,000 *(Note 1)*	37.09%	27.81%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled Corporation	180,000,000 *(Note 1)*	37.09%	27.81%
西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited*, "Xi'an Kaiyuan") *(Note 2)*	Corporate	Beneficial owner	100,000,000	20.60%	15.45%

Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706	15.47%	11.60%
Zhang Yinghua (張英華)	Personal	Held by controlled corporation	75,064,706 *(Note 3)*	15.47%	11.60%
西安國際信託投資有限公司 (Xi'an International Trust & Investment Co., Ltd.*, "XITIC")	Corporate	Beneficial owner	70,151,471	14.45%	10.84%
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled Corporation	70,151,471 *(Note 4)*	14.45%	10.84%
上海証大投資管理有限公司 (Shanghai Zendai Investment Management Co., Ltd.*)	Corporate	Held by controlled Corporation	70,151,471 *(Note 4)*	14.45%	10.84%

Notes:

1. The Domestic Shares were held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by Ms. Yao Wenli. By virtue of the SFO, Ms. Yao Wenli was deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.

2. The Company has been informed by Xi'an Kaiyuan that it has changed its name from 西安解放集團股份有限公司 (Xi'an Jiefang Group Joint Co., Ltd.) to 西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited) effective from 5 July 2007.

3. The Domestic Shares were held by Shenzhen Huitai, which is beneficially owned by Zuo Hong and Zhang Yinghua in equal share. By virtue of the SFO, each of Zuo Hong and Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.

4. The Domestic Shares were held by XITIC. By virtue of the SFO, Xi'an Finance Bureau and Shanghai Zendai Investment Management Co., Ltd., which respectively holds more than one third of voting rights of XITIC, were deemed to be interested in the same 70,151,471 Domestic Shares held by XITIC.

(B) Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

Long positions in Domestic Shares of the Company

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
北京京泰投資管理中心 (Beijing Holdings Investment Management Co., Ltd.*, "Beijing Holdings"	Corporate	Beneficial owner	54,077,941	11.14%	8.35%
京泰實業（集團）有限公司 (Beijing Holdings (Group) Limited*)	Corporate	Held by controlled corporation	54,077,941 *(Note 1)*	11.14%	8.35%

Long positions in H Shares of the Company

Name of shareholder	Type of interest	Capacity	Number of H Shares held in the Company	Approximate percentage in the total issued H Shares of the Company	Approximate percentage in the total issued share capital of the Company
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 *(Note 2)*	8.03%	2.00%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 *(Note 2)*	6.50%	1.62%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 *(Note 2)*	5.43%	1.35%

* *for identification purpose only*

Notes:

1. The Domestic Shares were held by Beijing Holdings. By virtue of the SFO, Beijing Holdings (Group) Limited, which holds more than one third of voting rights of Beijing Holdings, was deemed to be interested in the same 54,077,941 Domestic Shares held by Beijing Holdings.

2. The details of these shareholders of the Company were based on information as set out in the website of the Stock Exchange. The Company has not been notified by the relevant shareholders and has not received any Corporate Substantial Shareholder Notice from the relevant shareholders.

Save as disclosed above, as at 31 December 2007, the Directors, Supervisors and chief executives of the Company were not aware of any person (other than the Directors, Supervisors and chief executives of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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.

CONNECTED TRANSACTIONS

During the year, the Company has undertaken and/or approved a connected transaction and certain continuing connected transactions with its connected persons (as defined under the GEM Listing Rules), details of which are as follows:

Connected transaction

On 22 December 2007, the Company entered into an agreement with Jiazai Telecommunications Equipment Company Limited ("Jiazai"), XAHT Antenna (Hong Kong) Limited ("Haitian HK") and 大唐移動通訊設備有限公司 (Datang Mobile Communication Equipment Co. Ltd., ("Datang Mobile")), the Company agreed to acquire from Datang Mobile 35% equity interest in Jiazai at the consideration of approximately RMB45.46 million; and the technology licence agreement and the manufacture agreement both dated 30 December 2005 and entered into between Jiazai and Datang Mobile were terminated upon the completion of the acquisition.

Continuing connected transactions

On 6 July 2006, the Company, as tenant, entered into a lease agreement with 西安海天投資控股有限責任公司 (Xi'an Haitian Investment Holdings Limited) ("Haitian Investment"), as landlord, for the lease of land for daily operation and production purposes. Haitian Investment is a connected person of the Company within the meaning of the GEM Listing Rules by virtue of its being owned as to 75% and 5% by 肖兵先生 (Mr. Xiao Bing) and 左宏先生 (Mr. Zuo Hong), the Directors, and 5% by 方曦先生 (Mr. Fang Xi), the financial controller of the Company. For the year ended 31 December 2007, rent paid to Haitian Investment amounted to RMB2,635,271.

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the continuing connected transactions set out above were entered into:

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company had received a letter from the auditors in respect of the transactions mentioned above confirming that the transactions:

(a) had received the approval of the board of directors of the Company;

(b) were entered into in accordance with the relevant agreements; and

(c) had not exceeded the caps disclosed in the previous announcements relating to the aforesaid transactions.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company have any 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.

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 2007.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2007.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 10 to 13 of the annual report.

PRE-EMPTIVE RIGHTS

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

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as auditors of the Company.

On behalf of the Board

Professor Xiao Liangyong
Chairman

Xi'an, the PRC
26 March 2008

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.
西安海天天綫科技股份有限公司
(Established as a joint stock limited company incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 29 to 73, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practicing Certificate Number: P04798

Hong Kong
26 March 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 RMB	2006 RMB (Restated)
Turnover	8	**135,011,375**	117,119,020
Cost of sales		**(86,267,907)**	(95,534,192)
Gross profit		**48,743,468**	21,584,828
Other revenue	10	**12,410,309**	861,465
Gain on disposal of intangible assets		**12,104,782**	–
Distribution costs		**(16,542,367)**	(28,474,928)
Administrative expenses		**29,668,812**	(39,303,237)
Other operating expenses		**(18,717,640)**	(18,618,022)
Finance costs	11	**(7,442,762)**	(11,102,483)
Profit (loss) before tax		**886,978**	(75,052,377)
Income tax credit	12	**21,867**	268,451
Profit (loss) for the year	13	**908,845**	(74,783,926)
Attributable to:			
Equity holders of the Company		**921,031**	(69,850,070)
Minority interests		**(12,186)**	(4,933,856)
		908,845	(74,783,926)
Earnings (loss) per share			
– Basic	14	**0.14 cents**	(10.80 cents)

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 RMB	2006 RMB (Restated)
Non-current assets			
Property, plant and equipment	16	**118,482,113**	144,180,430
Prepaid lease payments	17	**869,485**	11,097,280
Goodwill	18	**4,836,763**	–
Intangible assets	19	**27,588,574**	86,279,431
Available-for-sales financial asset	21	**–**	280,000
Pledged bank deposits	22	**2,492,699**	883,497
		154,269,634	242,720,638
Current assets			
Inventories	23	**34,571,680**	34,040,218
Trade and bills receivables	24	**93,512,868**	101,681,916
Prepaid lease payments	17	**20,785**	258,985
Other receivables and prepayments	25	**59,497,717**	36,715,191
Amounts due from directors	26	**664,810**	1,404,701
Amounts due from related parties	27	**3,118,885**	4,205,646
Pledged bank deposits	22	**745,634**	869,896
Bank balances and cash	22	**6,205,561**	47,925,958
		198,337,940	227,102,511
Current liabilities			
Trade payables	28	**63,268,729**	61,850,110
Other payables and accrued charges		**17,033,540**	26,675,058
Dividend payables		**1,987,140**	2,011,140
Amount due to a director	26	**2,697,595**	–
Tax liabilities		**4,107,418**	4,129,285
Bank and other borrowings	29	**93,380,000**	165,340,953
		182,474,422	260,006,546
Net current assets (liabilities)		**15,863,518**	(32,904,035)
Total assets less current liabilities		**170,133,152**	209,816,603
Non-current liabilities			
Deferred tax liabilities	30	**600,000**	600,000
Net assets		**169,533,152**	209,216,603

Consolidated Balance Sheet *(continued)*

As at 31 December 2007

	Notes	2007 RMB	2006 RMB (Restated)
Capital and reserves			
Share capital	31	**64,705,882**	64,705,882
Reserves	32	**104,827,270**	103,906,239
Equity attributable to equity holders of the Company		**169,533,152**	168,612,121
Minority interests		**–**	40,604,482
Total equity		**169,533,152**	209,216,603

The consolidated financial statements on pages 29 to 73 were approved and authorised for issue by the Board of Directors on 26 March 2008 and are signed by:

Professor Xiao Liangyong
Director

Mr. Xiao Bing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to equity holders of the Company							
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total	Minority interests	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
			(note 32(a))	*(note 32(b))*				
At 1 January 2006	64,705,882	71,228,946	10,212,940	5,529,453	86,784,970	238,462,191	129,538	238,591,729
Capital injection by minority interests	–	–	–	–	–	–	45,458,800	45,458,800
Loss for the year	–	–	–	–	(69,850,070)	(69,850,070)	(4,933,856)	(74,783,926)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(50,000)	(50,000)
Transfer	–	–	5,940,288	(5,529,453)	(410,835)	–	–	–
At 31 December 2007, as restated	64,705,882	71,228,946	16,153,228	–	16,524,065	168,612,121	40,604,482	209,216,603
Profit for the year	–	–	–	–	921,031	921,031	(12,186)	908,845
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(40,592,296)	(40,592,296)
At 31 December 2007	**64,705,882**	**71,228,946**	**16,153,228**	**–**	**17,445,096**	**169,533,152**	**–**	**169,533,152**

Consolidated Cash Flow Statement

Year ended 31 December 2007

	2007	2006
	RMB	*RMB*
		(Restated)
OPERATING ACTIVITIES		
Profit (loss) before tax	**886,978**	(75,052,377)
Adjustments for:		
Gain on disposal of intangible assets	**(12,104,782)**	–
Gain on disposal of prepaid lease payments	**(2,400,565)**	–
Depreciation of property, plant and equipment	**11,501,515**	8,577,381
Amortisation of prepaid lease payments	**139,881**	258,985
Amortisation of development costs	**8,550,345**	7,419,334
Amortisation of technological know-how	**7,198,205**	7,761,677
Impairment loss recognised in respect of available-for-sales financial assets	**280,000**	–
Allowance for inventories	**1,888,875**	3,219,479
(Write back) impairment losses recognised in respect of trade and bills receivables	**(997,697)**	6,340,443
Impairment loss recognised in respect of goodwill	**179,741**	–
Impairment loss recognised in respect of property, plant and equipment	**1,531,970**	–
Loss on disposal of property, plant and equipment	**2,534,209**	35,101
Finance costs	**7,442,762**	11,102,483
Interest income	**(161,533)**	(604,673)
Operating profit (loss) before changes in working capital	**26,469,904**	(30,942,167)
Increase in inventories	**(2,420,337)**	(1,563,012)
Decrease in trade and bills receivables	**9,166,745**	68,970,552
Increase in other receivables and prepayments	**(22,782,526)**	(24,586,268)
Increase (decrease) in trade and bills payables	**11,959,819**	(18,711,474)
Decrease in other payables and accrued charges	**(9,641,518)**	(303,030)
Cash from (used in) operations	**12,752,087**	(7,135,399)
Income tax paid	**–**	(4,135,016)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**12,752,087**	(11,270,415)
INVESTING ACTIVITIES		
Interest received	**161,533**	604,673
Proceeds from disposal of property, plant and equipment	**28,260,247**	265,611
Proceed from disposal of intangible asset	**4,000,000**	–
Proceed from disposal of prepaid lease payments	**12,726,679**	–
Increase in amounts due from directors	**739,891**	457,539
(Decrease) increase in amounts due from related parties	**1,086,761**	(969,926)
Payment for construction cost on properties under construction and purchase of property, plant and equipment	**(17,458,334)**	(55,078,981)
(Increase) decrease in pledged bank deposits	**(1,484,940)**	1,231,833
Expenditure on product development	**(4,952,911)**	(5,338,983)
Acquisition of technological know-how	**–**	(50,313,900)
Acquisition of additional interest in subsidiaries	**(150,000)**	(50,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**22,928,926**	(109,192,134)

Year ended 31 December 2007

	2007	2006
	RMB	*RMB*
		(Restated)
FINANCING ACTIVITIES		
Proceeds from share capital contributed by minority shareholders	**–**	45,458,800
Increase in amounts due to directors	**2,697,595**	–
New loans raised	**129,079,710**	123,000,000
Repayment of loans	**(201,040,663)**	(79,224,507)
Interest paid	**(8,114,052)**	(11,102,483)
Dividend paid to equity shareholders of the Company	**(24,000)**	(992,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(77,401,410)**	77,139,810
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(41,720,397)**	(43,322,739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**47,925,958**	91,248,697
CASH AND CASH EQUIVALENTS AT END OF YEAR	**6,205,561**	47,925,958
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS, represented by,		
Bank balances and cash	**6,205,561**	47,925,958

1. ORGANISATION AND OPERATIONS

Xi'an Haitian Anetenna Technologies Co., Ltd. (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC") and the H shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The principal activities of the Company are research and development, manufacture and sale of base station antennas and related products. The principal activities of the subsidiaries (together with the Company referred to as the "Group") are set out in Note 39.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. PRIOR YEAR ADJUSTMENT

In the current year, the Group had received the clarifications from the banks that principal amount of the bank loan as at 31 December 2006 was understated by RMB1,740,610 and the interest expenses for the year ended 31 December 2006 was understated by the same amount. The Group determined that the error need to be corrected through restatement of previously issued consolidated financial statements in respect of the understatement of finance costs in prior year, which reduced the retained earnings as at 1 January 2007 by RMB1,740,610 and increased bank borrowings as at 31 December 2006 by RMB1,740,610.

The effect of the above correction of significant accounting error reduced the retained earnings as at 1 January 2007 by RMB1,740,610 and are summarised below:

	Retained earnings
	RMB
At 1 January 2007	18,264,675
Adjustment for understatement of finance costs	(1,740,610)
At 1 January 2007 after retrospective adjustment	16,524,065

2. PRIOR YEAR ADJUSTMENT *(continued)*

The effect of the above correction of significant accounting error on the loss for the year ended 31 December 2006 are summarised below:

	Year ended 31 December 2006 *RMB*
Loss for the year before retrospective adjustment	(73,043,316)
Adjustment for understatement of finance costs	(1,740,610)
Loss for the year after retrospective adjustment	(74,783,926)

The effect of the above correction of significant accounting error on the bank and other borrowings as at 31 December 2006 are summarised below:

	Bank and other borrowings *RMB*
At 31 December 2006	(163,600,343)
Adjustment for understatement of finance costs	(1,740,610)
At 31 December 2006	(165,340,953)

The effect of the above correction of significant accounting error on the basic loss per share for the year ended 31 December 2006 are summarised below:

	Year ended 31 December 2006 *RMB*
Basic loss per share before retrospective adjustment	(10.50) cents
Adjustment for understatement of finance costs	(0.30) cents
Basic loss per share after retrospective adjustment	(10.80) cents

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for the Group's financial year beginning 1 January 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation ("Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 - The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of Stock Exchange and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill

Goodwill arising on an acquisition a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(e) Prepaid lease payments

Prepaid lease payments represent lease prepayments paid or payable for the right to use the land on which various plants and buildings are situated for a definite period, are carried at cost less accumulated amortisation. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment

The following items of property, plant and equipment other than the properties under construction are stated in the consolidated balance sheet at cost less subsequent accumulated depreciation and accumulated impairment losses.

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease; and

– other items of plant and equipment.

Properties under construction include property, plant and equipment in the course of construction for production or for its own use purposes. Properties under construction are carried at cost less any recognised impairment loss. Properties under construction are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under construction over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

–	Plant and machinery	3 - 10 years
–	Furniture, fixtures and equipment	5 years
–	Motor vehicles	8 years
–	Leasehold improvement	Over the lease period

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Technological know-how

Technological know-how represents purchase cost for the technical knowledge and skill in the development and manufacturing of telecommunication products, is stated at cost less accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated to write off the cost of the technological know-how over their estimated useful lives, using the straight line method, up to 10 years.

Gains or losses arising from derecognition of technological know-how are measured at the difference between the net disposal proceeds and its carrying amount are recognised in the consolidated income statement when the assets is derecognised.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sales assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and prepayments, amounts due from directors/related parties, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated a nominee membership in a golf club as available-for-sale financial asset, which are initially recognised at fair value plus transaction costs.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 240 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

Impairment of financial assets (continued)

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

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

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

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments thorough the expected life of the financial liability, or, where appropriate, the shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including (trade payables, other payables and accrued charges, dividend payables, amount due to a director and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest rate method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(j) Impairment losses on tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are test for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

– Revenue from sale of goods is recognised when the goods are delivered and title has passed.

– Service income is recognised when services are provided.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expenses / are reported separately as "other revenue".

(p) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

(q) Leases

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimators (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Key sources of estimation uncertainty

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is RMB4,836,763.

Depreciation

The Group's net carrying values of property, plant and equipment as at 31 December 2007 was approximately RMB118,482,113 (2006: RMB144,180,430). The Group depreciates the property, plant and equipment over the shorter of the unexpired term of leases and their estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, at the rate of 2 - 33% per annum, commencing from the date the property, plant and equipment is placed into productive use. The estimated useful life reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimate impairment loss of trade receivables

The policy for making impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

Allowances for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which included the bank and other borrowings as disclosed in Note 29, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007	2006
	RMB	*RMB*
Financial assets		
Loan and receivables		
– trade and bills receivables	**93,512,868**	101,681,916
– other receivables and prepayment	**59,497,717**	36,715,191
– amount due from directors	**664,810**	1,404,701
– amount due from related parties	**3,118,885**	4,205,646
– pledged bank deposits	**3,238,333**	1,753,393
– bank balances	**6,001,469**	47,296,356
	166,034,082	193,057,203
Available-for-sales financial assets	**–**	280,000
	166,034,082	193,337,203
Financial liabilities		
Other financial liabilities		
– trade payables	**63,268,729**	61,850,110
– other payables and accrued charges	**17,033,540**	26,675,058
– dividend payables	**1,987,140**	2,011,140
– amount due to a director	**2,697,595**	–
– bank and other borrowings	**93,380,000**	165,340,953
	178,367,004	255,877,261

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivable, other receivables and prepayments, amounts due from directors/related parties, trade payables, other payables and accrued charges, amount due to a director, dividend payables and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

(i) Currency risk

Certain receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 29 for details of these borrowings).

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For short-term fixed-rate roll-over bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by approximately RMB189,000 (2006: decrease/increase by approximately RMB470,000). This is mainly attributable to the Group's exposure to interest rates on its short-term fixed-rate roll-over bank borrowings.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

The Group has concentration of credit risk as 33% (2006: 31%) and 85% (2006: 82%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

Maturity analysis

As at 31 December 2007 and 31 December 2006, the Group's financial liabilities have contractual maturities which are summarized below:

At 31 December 2007

	Within 1 month RMB	**1 to 3 months RMB**	**3 to 12 months RMB**	**1-5 years RMB**	**Total undiscounted cash flows RMB**	**Carrying amount at 31 December 2007 RMB**
Bank and other borrowings	**–**	**22,570,910**	**73,580,338**	**–**	**96,151,248**	**93,380,000**

At 31 December 2006

	Within 1 month RMB	1 to 3 months RMB	3 to 12 months RMB	1-5 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2006 RMB
Bank and other borrowings	–	22,519,122	151,836,325	–	174,355,447	165,340,953

8. TURNOVER

The principal activities of the Group are research and development, manufacture and sale of base station antennas and related products.

Turnover represents the amounts received and receivable for goods sold to outside customers exclusive of value added taxes, less returns and allowances and, income received and receivable from provision of services.

	2007	2006
	RMB	*RMB*
Turnover		
Sales of goods	**128,565,375**	109,416,210
Service income	**6,446,000**	7,702,810
	135,011,375	117,119,020

9. SEGMENT INFORMATION

The Group uses the business segment as its primary segment for reporting segment information. As sale of telecommunication products is the only reportable business segment of the Group, accordingly, no business segment information is presented.

Details of the segment information by geographical segment are as follows:

	Year ended 31 December	
	2007	2006
	Sales revenue by geographical market	Sales revenue by geographical market
	RMB	*RMB*
PRC	**71,482,920**	88,819,541
Asia excluding PRC	**59,545,948**	23,848,403
Others	**3,982,507**	4,451,076
	135,011,375	117,119,020

9. SEGMENT INFORMATION (continued)

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	**2007**	2006
	RMB	*RMB*	***RMB***	*RMB*
PRC	**336,218,683**	462,757,095	**23,082,535**	121,273,064
Asia excluding PRC	**16,041,964**	5,773,103	**–**	–
Others	**346,927**	1,292,951	**–**	–
	352,607,574	469,823,149	**23,082,535**	121,273,064

10. OTHER REVENUE

	2007	2006
	RMB	*RMB*
Government grants *(note 37)*	**8,036,642**	189,300
Interest income	**161,533**	604,673
Write back of impairment loss recognised in respect of trade and bills receivables	**997,697**	–
Gain on disposal of prepaid lease payments	**2,400,565**	–
Others	**813,872**	67,492
	12,410,309	861,465

11. FINANCE COSTS

	2007	2006
	RMB	*RMB*
		(restated)
Interests on bank and other borrowings wholly repayable within five years	**8,114,052**	11,102,483
Less: amount capitalised	**(671,290)**	–
	7,442,762	11,102,483

Borrowing costs capitalised during the year arose on a bank loan and are calculated at the interest rate of 9.855% (2006: Nil) per annum to expenditure on qualifying assets.

12. INCOME TAX CREDIT

	2007	2006
	RMB	*RMB*
Current tax		
PRC	**234,411**	482
Overprovision in prior years	**(256,278)**	(268,933)
	(21,867)	(268,451)

Currently, the Company and certain of its subsidiaries established in the PRC are recognised by the Xi'an Municipal Bureau of Science and Technology as a high technology enterprise located in the Xi'an National High-tech Industrial Development Zone. In accordance with the applicable enterprise income tax of the PRC, they are subject to the PRC enterprise income tax ("EIT") at a rates ranged from 15% to 33%. The Company was exempted from EIT for two years starting from 2005 and is entitled to a 50% reduction, which is 7.5%, on the EIT for the following three years (i.e. commencing from 1 January 2007) in accordance with Article 8 of Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

The balance represents overprovision for EIT of the Company in prior years and provision for EIT on the estimated assessable profit of the Company and its subsidiaries for the year. Income tax expense for the Company and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant country.

No provision for Hong Kong Profits Tax has been made as companies within the Group did not generate any assessable profits in Hong Kong for both years.

The tax credit for the years can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2007	2006
	RMB	*RMB*
		(restated)
Profit (loss) before tax	**886,978**	(75,052,377)
Tax at the domestic income tax rate of 33%	**292,703**	(24,767,286)
Tax effect of expenses not deductible for tax purpose	**1,240,380**	9,227,585
Tax effect of income not taxable for tax purpose	**(131,310)**	(1,684,924)
Tax effect on tax losses not recognised	**–**	5,772,280
Tax effect on preferential tax rate	**2,633,193**	12,469,073
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(50,027)**	(946,298)
Overprovision in previous year	**(256,278)**	(268,933)
Utilisation of unused tax losses	**(3,750,528)**	(69,948)
Tax credit	**(21,867)**	(268,451)

Details of the deferred tax liabilities are set out in Note 30.

13. PROFIT (LOSS) FOR THE YEAR

	2007 RMB	2006 RMB (restated)
Profit (loss) for the year is arrived at after charging:		
Auditors' remuneration		
– audit services	**390,000**	595,500
– other services	**–**	180,897
Cost of inventories recognised as expenses	**92,591,526**	87,968,373
Depreciation of property, plant and equipment	**11,501,515**	8,577,381
Staff costs		
– Directors' and supervisors' remuneration (Note 15)	**1,728,456**	1,957,910
– Salaries, wages and other benefits	**19,519,427**	21,344,800
– Contributions to retirement benefit scheme (excluding directors)	**1,103,545**	1,443,315
Total staff costs	**22,351,428**	24,746,025
Amortisation of development costs	**8,550,345**	7,419,334
Amortisation of technological know-how	**7,198,205**	7,761,677
Amortisation of prepaid lease payments	**139,881**	258,985
Loss on disposal of property, plant and equipment	**2,534,209**	35,101
Allowance for inventories	**1,888,875**	3,219,479
Impairment losses recognised in respect of available-for-sales financial asset	**280,000**	–
Impairment losses recognised in respect of trade and bills receivables	**–**	6,340,443
Impairment loss on property, plant and equipment	**1,531,970**	–
Impairment loss on goodwill	**179,741**	–
Minimum lease payments under operating leases	**2,866,130**	738,941
Research and development costs	**803,371**	1,019,684

14. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the year is based on the profit (loss) for the year attributable to equity holders of the Company of RMB921,031 (2006: loss of RMB69,850,070) and the weighted average of 647,058,824 (2006: 647,058,824) ordinary shares in issue during the year.

No diluted earnings (loss) per share has been presented for the two years ended 31 December 2007 and 2006 as there were no diluting events existed during those years.

15. DIRECTORS' REMUNERATIONS AND FIVE HIGHTEST PAID EMPLOYEES

Directors' remunerations

The emoluments paid or payable to each of the seventeen (2006: twelve) directors were as follows:

	Fees		Salaries, allowances and other benefits in kind		Contributions to retirement benefit scheme		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Executive Directors								
Xiao Bing	**–**	–	**835,108**	637,284	**7,752**	7,752	**842,860**	645,036
Professor Xiao Laingyong (appointed on 30 November 2007)	**–**	–	**56,140**	–	**–**	–	**56,140**	–
Zuo Hong (appointed on 20 May 2007)	**–**	–	**105,593**	–	**–**	–	**105,593**	–
Zhou Tianyou (resigned on 20 May 2007)	**–**	–	**120,398**	509,901	**2,730**	5,389	**123,128**	515,290
Liang Zhijun (resigned on 11 September 2007)	**–**	–	**123,964**	539,584	**–**	–	**123,964**	539,584
Non-executive directors								
Wang Ke	**–**	–	**2,500**	6,000	**–**	–	**2,500**	6,000
Wang Jing	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Wang Quanfu (resigned on 13 October 2006)	**–**	–	**–**	5,000	**–**	–	**–**	5,000
Liu Yongqiang (resign on 20 May 2007)	**–**	–	**23,500**	6,000	**–**	–	**23,500**	6,000
Li Wenqi	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Sun Wenguo	**–**	–	**3,500**	1,000	**–**	–	**3,500**	1,000
Luo Maosheng (appointed on 20 May 2007)	**–**	–	**3,500**	–	**–**	–	**3,500**	–
Xing Changling (appointed on 20 May 2007)	**–**	–	**3,500**	–	**–**	–	**3,500**	–
Independent non-executive directors								
Professor Gong Shuxi	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Wang Pengcheng (resigned on 20 May 2007)	**–**	–	**15,000**	36,000	**–**	–	**15,000**	36,000
Qiang Wenyu	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Lei Huafeng (appointed on 20 May 20007)	**–**	–	**21,000**	–	**–**	–	**21,000**	–
Total	**–**	–	**1,397,703**	1,824,769	**10,482**	13,141	**1,408,185**	1,837,910

15. DIRECTORS' REMUNERATIONS AND FIVE HIGHTEST PAID EMPLOYEES (continued)

Directors' remunerations *(continued)*

The emoluments paid or payable to each of the six (2006: four) supervisors were as follows:

	Fees		Salaries, allowances and other benefits in kind		Contributions to retirement benefit scheme		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Supervisors								
Mei Jie								
(appointed on 20 May 2007)	**–**	–	**218,707**	–	**646**	–	**219,353**	–
Yang Jun								
(appointed on 20 May 2007)	**–**	–	**3,500**	–	**–**	–	**3,500**	–
Sun Guilian	**–**	–	**43,918**	42,000	**–**	–	**43,918**	42,000
Gu Linqiang	**–**	–	**2,500**	6,000	**–**	–	**2,500**	6,000
Liu Jiyang	**–**	–	**15,000**	36,000	**–**	–	**15,000**	36,000
Professor Shi Ping	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Total	**–**	–	**319,625**	120,000	**646**	–	**320,271**	120,000

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2006: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2006: two) highest paid individuals were as follows:

	2007	2006
	RMB	*RMB*
Salaries and other benefits	**780,998**	872,764
Contributions to retirement benefit scheme	**22,512**	7,752
	803,510	880,516

The emoluments of the three (2006: two) highest paid employees fall in the following bands:

	2007 Number of employees	2006 Number of employees
Nil to RMB1,000,000	**3**	2

No emoluments have been paid by the Group to any directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office in any of the two years ended 31 December 2007 and 2006.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvement	Properties under construction	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Cost							
At 1 January 2006	55,284,337	39,205,830	17,857,221	5,248,808	27,000	11,436,086	129,059,282
Additions	–	1,850,651	316,537	–	252,710	52,659,083	55,078,981
Transfer	38,172	–	–	–	–	(38,172)	–
Disposals	–	(147,176)	(563,888)	–	–	–	(711,064)
At 31 December 2006	55,322,509	40,909,305	17,609,870	5,248,808	279,710	64,056,997	183,427,199
At 1 January 2007	55,322,509	40,909,305	17,609,870	5,248,808	279,710	64,056,997	183,427,199
Additions	6,292,223	2,656,144	491,683	–	–	8,689,574	18,129,624
Transfer	57,436,259	14,952,727	–	–	–	(72,388,986)	–
Disposals	(27,841,266)	(9,256,183)	(5,496,756)	(645,873)	(279,710)	–	(43,519,788)
At 31 December 2007	91,209,725	49,261,993	12,604,797	4,602,935	–	357,585	158,037,035
Accumulated depreciation and impairment							
At 1 January 2006	3,948,773	17,762,837	7,473,597	1,886,974	7,559	–	31,079,740
Charge for the year	1,725,169	2,958,847	3,228,913	624,694	39,758	–	8,577,381
Eliminated on disposals	–	(31,982)	(378,370)	–	–	–	(410,352)
At 31 December 2006	5,673,942	20,689,702	10,324,140	2,511,668	47,317	–	39,246,769
At 1 January 2007	5,673,942	20,689,702	10,324,140	2,511,668	47,317	–	39,246,769
Charge for the year	3,116,270	5,449,272	2,128,397	585,183	222,393	–	11,501,515
Impairment loss recognised in consolidated income statement	–	1,531,970	–	–	–	–	1,531,970
Eliminated on disposals	(4,625,860)	(4,305,671)	(3,051,380)	(472,711)	(269,710)	–	(12,725,332)
At 31 December 2007	4,164,352	23,365,273	9,401,157	2,624,140	–	–	39,554,922
Net carrying values							
At 31 December 2007	87,045,373	25,896,720	3,203,640	1,978,795	–	357,585	118,482,113
At 31 December 2006	49,648,567	20,219,603	7,285,730	2,737,140	232,393	64,056,997	144,180,430

The buildings are situated on land held under medium-term land use right in the PRC, and the amount of RMB25,193,732 (2006: RMB49,648,567) has been pledged to the banks to secure the Group's bank borrowings.

During the year, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to technical obsolescence. Accordingly, impairment losses of RMB1,531,970 has been recognised in respect of plant and machinery.

17. PREPAID LEASE PAYMENTS

	RMB
Cost	
At 1 January 2006 and 1 January 2007	12,695,357
Disposal	(11,676,883)
At 31 December 2007	1,018,474
Amortisation	
At 1 January 2006	1,080,107
Provided for the year	258,985
At 31 December 2006 and 1 January 2007	1,339,092
Provided for the year	139,881
Eliminated on disposal	(1,350,769)
At 31 December 2007	128,204
Net carrying values	
At 31 December 2007	890,270
At 31 December 2006	11,356,265

The amount represents prepaid lease payments relating to land use rights in the PRC which are held under medium-term leases. The prepaid lease payment is amortised over a period of 49 years on a straight line basis.

Analysis of the carrying amount of prepaid lease payments are as follows:

	2007	2006
	RMB	*RMB*
Analysed for reporting purpose as:		
– current assets	**20,785**	258,985
– non-current assets	**869,485**	11,097,280
	890,270	11,356,265

As at 31 December 2007, prepaid lease payments with carrying value of RMB890,270 (2006: RMB11,356,265) has been pledged to the banks to secure the Group's bank borrowings.

18. GOODWILL

	2007 RMB	2006 RMB
Cost		
At 1 January	–	–
Arising on acquisition of additional equity interests in subsidiaries	5,016,504	–
At 31 December	5,016,504	–
Impairment		
At 1 January	–	–
Impairment loss recognised during year	179,741	–
At 31 December	179,741	–
Net carrying value		
At 31 December	4,836,763	–

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

On 22 December 2007, the Company entered into an agreement with 嘉載通信設備有限公司 ("Jia Zai"), XAHT Antenna (Hong Kong) Limited ("Haitian HK") and Datang Mobile Communication Equipment Co. Limited ("Datang Mobile") (the "4-party Agreement").

Pursuant to the 4-party Agreement, the Company agreed to acquire from Datang Mobile the 35% equity interest in Jia Zai ("Acquisition") at the consideration of RMB45,458,800. The Acquisition had been completed on 29 December 2007. Upon completion of the Acquisition, Jia Zai has become a wholly-owned subsidiary of the Company.

On 6 November 2007, the Group had acquired 10% equity interest in Xian Hi-tech Communication Software Co., Ltd. ("Xian Hi-tech") at the consideration of RMB150,000. Upon completion of the Acquisition, Xian Hi-tech has become a wholly-owned subsidiary of the Company.

19. INTANGIBLE ASSETS

	Development costs RMB (Note a)	Technological know-how RMB	Total RMB
Cost			
At 1 January 2006	35,784,375	10,000,000	45,784,375
Additions *(Note b)*	–	60,855,100	60,855,100
Addition through internal development	5,338,983	–	5,338,983
At 31 December 2006	41,123,358	70,855,100	111,978,458
At 1 January 2007	41,123,358	70,855,100	111,978,458
Addition through internal development	4,952,911	–	4,952,911
Disposal *(Note c)*	–	(60,855,100)	(60,855,100)
At 31 December 2007	46,076,269	10,000,000	56,076,269
Amortisation			
At 1 January 2006	5,184,683	5,333,333	10,518,016
Provided for the year	7,419,334	7,761,677	15,181,011
At 31 December 2006	12,604,017	13,095,010	25,699,027
At 1 January 2007	12,604,017	13,095,010	25,699,027
Provided for the year	8,550,345	7,198,205	15,748,550
Eliminated on disposals	–	(12,959,882)	(12,959,882)
At 31 December 2007	21,154,362	7,333,333	28,487,695
Net carrying values			
At 31 December 2007	24,921,907	2,666,667	27,588,574
At 31 December 2006	28,519,341	57,760,090	86,279,431

19. INTANGIBLE ASSETS *(continued)*

Notes:

(a) The development costs represent product development expenditure incurred by the Company.

(b) On 30 December 2005, Jia Zai, a 65% owned subsidiary of the Company and Datang Mobile entered into a TD-SCDMA technology licence agreement ("TD-SCDMA technology Licence Agreement"). Pursuant to the agreement, Datang Mobile agreed to grant the non-exclusive licence to Jia Zai for using its TD-SCDMA mini-cellular base station technology for nine years commencing from the date of the agreement. The consideration was RMB60,855,100.

On 30 December 2005, Jia Zai also entered in a manufacturing agreement with Datang Mobile ("Manufacturing Agreement"). Pursuant to the agreement, Jia Zai is able to sell the TD-SCDMA mini-cellular base stations manufactured by Jia Zai to Datang Mobile on an exclusive basis for a period of six years commencing from the date of Manufacturing Agreement.

The details of the TD-SCDMA Technology Licence agreement and Manufacturing Agreement were outlined in the circular dated 23 August 2006.

(c) On 22 December 2007, the Company entered into the 4-party agreement with Jia Zai, Haitian HK and Datang Mobile.

Pursuant to the 4-parties Agreement, Datang Mobile and Jia Zai agreed that the TD-SCDMA Technology Licence Agreement and the Manufacturing Agreement should be terminated upon the completion of the Acquisition. Datang Mobile returned RMB60,000,000 received under the TD-SCDMA Technology Licence Agreement, of which RMB45,458,800 was set off against the consideration payable by the Company for the Acquisition, RMB10,541,200 was set off against accounts receivable of an equivalent amount owed by Jia Zai to Datang Mobile and the balance of RMB4,000,000 was paid by Datang Mobile to Jia Zai in cash.

(d) As at 31 December 2007, the technological know-how represents the technological knowledge and skill used for developing and manufacturing WLL/PHS antennas and the base station antenna for GSM/CDMA mobile telecommunication system. The technological know-how was previously held by Professor Xiao Liangyong ("Professor Xiao"), founder of the Company. According to the shareholder agreement entered into between the shareholders of the Company on 16 June 2000, it was agreed that the technological know-how held by Professor Xiao be injected into the Company at an amount of RMB10,000,000 as part of his contribution to the increase in paid-up capital in September 2000.

Intangible assets are amortised on a straight-line basis over the following periods:

Development costs	5 years
Technological know-how	9-10 years

20. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill in Note 18 was derived from the acquisition of the additional equity interests in Jai Zai and Xian Hi-tech, respectively. The carrying amount of goodwill as at 31 December 2007 allocated to Jai Zai is as follows:

	Goodwill	
	2007	2006
	RMB	*RMB*
Jia Zai	**4,836,763**	–
Xian Hi-tech	**–**	–

During the year ended 31 December 2007, the Group recognised an impairment loss of RMB179,741 (2006: Nil) in relation to goodwill arising on acquisition of the equity interest in Xian Hi-tech, as Xian Hi-tech has continually suffered from operating losses in past few years.

The recoverable amounts of the goodwill from the acquisition of Jia Zai have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by management covering a 13-year period which represents the remaining operating period of Jia Zai, and a discount rate of 15%. Jia Zai's cash flows beyond 6-year period are assumed constant with zero growth rate. The forecast turnover is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for Jia Zai is also based on the budgeted sales and expected gross margins during the budget period and the same raw materials price inflation during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jia Zai to exceed the aggregate recoverable amount of Jia Zai.

21. AVAILABLE-FOR-SALES FINANCIAL ASSET

The asset represents the club debenture in a golf club in the PRC.

	2007	2006
	RMB	*RMB*
Cost		
At 1 January	**280,000**	280,000
Less: Impairment loss recognised	**(280,000)**	–
At 31 December	**–**	280,000

22. PLEDGED BANK DEPOSITS / BANK BALANCES AND CASH

The pledged bank deposits represented the bank deposits pledged to the bank to secure the quality of the products sold to an oversea customer.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2007	2006
Amounts denominated in:		
RMB	**6,103,844**	44,266,685

Bank balances comprise short-term bank deposits of RMB6,103,844 (2006: RMB44,266,685) carry fixed interest at prevailing market rate for both years.

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2007	2006
United Stated Dollar ("USD")	**371,500**	562,482
Hong Kong Dollar ("HKD")	**3,154**	12,853

23. INVENTORIES

	2007 *RMB*	2006 *RMB*
Raw materials	**10,505,078**	10,330,563
Work in progress	**7,249,038**	7,720,630
Finished goods	**21,925,918**	19,208,504
	39,680,034	37,259,697
Less: allowance for inventories	**(5,108,354)**	(3,219,479)
	34,571,680	34,040,218

24. TRADE AND BILLS RECEIVABLES

	2007	2006
	RMB	*RMB*
Trade receivables	**109,360,760**	118,591,718
Bills receivables	**61,010**	–
Less: impairment loss recognised	**(15,908,902)**	(16,909,802)
	93,512,868	101,681,916

In the opinion of the directors of the Company, the fair value of the Group's trade and bills receivables at the balance sheet date approximates to their corresponding carrying amounts due to their short-term maturities.

The following is an aged analysis of trade receivables net of impairment loss recognised at the balance sheet date:

	2007	2006
	RMB	*RMB*
0 – 60 days	**38,161,015**	22,515,225
61 – 120 days	**12,149,726**	11,431,889
121 – 180 days	**9,536,020**	11,924,240
181 – 240 days	**3,893,680**	9,396,942
241 – 365 days	**1,266,358**	6,220,530
Over 365 days	**28,445,059**	40,193,090
	93,451,858	101,681,916

Generally, the Group allows a credit period from 90 days to 240 days to its trade customers. For receivables from certain customers, the amounts are settled by installments which are mutually determined and agreed by the relevant parties.

At each of the balance sheet date, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The movement in the provision for impairment of trade receivables is as follows:

	2007	2006
	RMB	*RMB*
At 1 January	**16,909,802**	10,569,359
Impairment loss recognised to the consolidated income statement	**–**	6,340,443
Write back of impairment loss recognised to the consolidated income statement	**(997,697)**	–
Amount written-off	**(3,203)**	–
At 31 December	**15,908,902**	16,909,802

24. TRADE AND BILLS RECEIVABLES *(continued)*

The aging analysis of trade receivables that are past due but not impaired is as follow:

	2007	2006
	RMB	*RMB*
241-365 days	**1,266,358**	6,220,530
1 to 2 years	**9,110,233**	29,003,166
2 to 3 years	**19,334,826**	11,189,924
Total	**29,711,417**	46,413,620

Receivables that were past due but not impaired related to a number of customers that are the major telecommunication services providers in the PRC and have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's trade receivables that are denominated in currencies other than the functional currency of the relevant group entities before the impairment loss recognised are as follows:

	2007	2006
USD	**2,252,890**	356,186

The trade receivables of RMB6,780,000 (2006: RMB20,600,343) has been pledged to the banks to secure the Group's bank borrowings.

25. OTHER RECEIVABLES AND PREPAYEMENT

Included in other receivable and prepayment is an amount of RMB9,605,089 (2006: RMB7,674,624) in respect of advances to employees and RMB29,652,320 (2006: RMB19,305,712) in respect of prepaid material costs.

In the opinion of the directors of the Company, the fair value of the Group's other receivables and prepayment at the balance sheet date approximates to their corresponding carrying amounts due to their short-term maturities.

26. AMOUNTS DUE FROM (TO) DIRECTORS

	2007	2006
	RMB	*RMB*
Due from:		
Liang Zhijun *(note a)*	**36,891**	536,680
Xiao Bing *(note b)*	**607,919**	818,758
Zou Hong *(note b)*	**20,000**	–
Zhou Tianyou *(note b)*	**–**	49,263
	664,810	1,404,701
Due to:		
Professor Xiao	**(2,697,595)**	–

Notes:

(a) Mr. Liang Zhijun resigned as a director of the Company on 11 September 2007.

(b) Professor Xiao, Mr. Zou Hong, Mr. Xiao Bing and Mr. Zhou Tianyou are the executive directors of the Company.

The amount represents a loan advance to the directors and advance for business use. The amounts are unsecured, interest-free and are repayable on demand.

In the opinion of the directors of the Company, the fair value of the amounts due from (to) directors at the balance sheet date approximates to their corresponding carrying amounts due to their short-term maturities.

27. AMOUNTS DUE FROM RELATED PARTIES

Name of related parties	Relationship	Notes	2007 RMB	2006 RMB
陝西海通天綫有限責任公司(「海通天綫」)	Close family member of the Company directors of both companies	*i & ii*	**57,278**	448,557
西安海天投資控股有限責任公司(「海天投資」)	Common director and shareholder	*i & iii*	**2,844,191**	2,352,741
Fang Xi	Financial controller	*i & iv*	**217,416**	224,000
Professor Xiao	Father of Mr. Xiao Bing, an executive director of the Company	*i & v*	**–**	380,405
Mei Jie	Minority shareholder	*i & vi*	**–**	799,943
			3,118,885	4,205,646

Notes:

(i) The amounts are unsecured, non-interest bearing and are repayable on demand.

(ii) The amount did not include receivable arising from sales of goods (2006: RMB147,947) to 海通天綫. The selling price was determined after arm's length negotiation between the parties concerned.

(iii) The amount mainly represents the loan advance to 海天投資.

(iv) The amount included a loan to Mr. Fang Xi of RMB150,000 (2006: RMB150,000) and cash advance of RMB67,416 (2006: RMB74,000).

(v) The amount represents cash advance and was fully recovered during the year ended 31 December 2007.

(vi) The amount represents the loan advance to Mr. Mei Jei who has been appointed as the Company's supervisor on 20 May 2007. The amount was fully settled during the year ended 31 December 2007.

28. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2007 RMB	2006 RMB
Aged:		
0 – 60 days	**23,499,554**	18,831,616
61 – 120 days	**5,288,447**	6,351,353
121 – 365 days	**17,936,308**	27,695,887
Over 365 days	**16,544,420**	8,971,254
	63,268,729	61,850,110

The average credit period granted by the Group's suppliers was ranging from 90 to 180 days.

In the opinion of the directors of the Company, the fair value of the trade payables at the balance sheet date approximates to their corresponding carrying amounts due to their short-term maturities.

29. BANK AND OTHER BORROWINGS

	2007 RMB	2006 RMB
Short-term bank loans, secured *(i)*	**86,780,000**	141,340,953
Other short-term loan, unsecured *(ii)*	**6,600,000**	24,000,000
Total	**93,380,000**	165,340,953

Notes:

(i) The bank borrowings born fixed-rate interest ranging from 6.48% to 10.53% (2006: 5.22% to 7.61%) per annum.

(ii) As at 31 December 2007, other short-term loan was non-interest bearing, repayable on 22 May 2008 and was guaranteed by a related company of the Company, 海天投資. As at 31 December 2006, other short-term loans born interest rate at 6% per annum, were unsecured and repaid on 21 May 2007.

29. BANK AND OTHER BORROWINGS *(continued)*

The Group has pledged the following assets for the banking facilities granted by the banks to the Group and the carrying value of the assets are as follows:

	2007	2006
	RMB	*RMB*
Bank deposits	**3,238,333**	1,753,393
Buildings	**25,195,732**	49,648,567
Land lease premium held for own use	**890,270**	11,356,265
Trade receivables	**6,780,000**	20,600,343
	36,104,335	83,358,568

During the year ended 31 December 2007, Mr. Xiao Bing, an executive director of the Company and Ms. Chen Jing, wife of Mr. Xiao Bing, Mr. Fang Xi, financial controller of the Company and Ms. Zhang Dandan, wife of Mr. Fang Xi, provided personal guarantees to a third party. In return, the third party provides a guarantee to secure a bank loan amounting to RMB10,000,000 (2006: RMB10,000,000) granted to the Group.

In the opinion of the directors of the Company, the fair value of the bank and other borrowings at the balance sheet date approximates to their corresponding carrying amounts due to their short-term maturities.

30. DEFERRED TAX LIABILITIES

The amount represented deferred tax liability at balance sheet date in relation to deferred development costs.

At the balance sheet date, the Group has unused tax losses of approximately RMB31,088,645 (2006: RMB42,453,882) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, all unused tax losses will be expired in 2011.

31. SHARE CAPITAL

	Number of shares		**Registered,**
	Domestic		**issued and**
Share of RMB0.10 each	**shares**	**H shares**	**fully paid**
			RMB
At 31 December 2006 and 2007	485,294,118	161,764,705	64,705,882

32. RESERVES

(a) Statutory Surplus Reserve

The Company's Articles of Association requires the appropriation of 10% of its profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation.

(b) Statutory Public Welfare Fund

Prior to 1 January 2006, the company is required in each year to transfer 5% to 10% of the profit after taxation to the statutory public welfare fund. Starting from 1 January 2006 the Group is not required to transfer any profit after taxation to statutory public welfare fund in accordance with the amendment in the PRC Companies Ordinance.

(c) Distributable Reserves

In accordance with the Articles of Association of the Company, the reserve available for distributable is the lower of amount determined under accounting principles generally accepted in the PRC and the amount determined under the HKFRSs. 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 mainland China, the Company does not have any reserves available for distribution to shareholders at 31 December 2007 and 31 December 2006.

33. OPERAING LEASE COMMITMENTS

At 31 December 2007, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007	2006
	RMB	*RMB*
Within one year	**2,701,671**	2,789,559
In the second to fifth year inclusive	**1,317,636**	3,952,907
	4,019,307	6,742,466

Operating lease payments represent rental payable by the Group for its office premises, warehouse and staff quarters. Leases are negotiated for an average term of three years with fixed rentals.

34. CAPITAL COMMITMENTS

	2007	2006
	RMB	*RMB*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of construction cost on properties under construction and acquisition of property, plant and equipment	**4,915,637**	6,941,322

35. RELATED PARTY TRANSACTIONS

(a) The following is a summary of the significant transactions with a related party during the year.

	2007	2006
	RMB	*RMB*
Rent paid to 海天投資 for the lease of land	**2,635,271**	2,630,000

海天投資 is owned as to 75% and 5% by Mr. Xiao Bing and Mr. Zuo Hong, the executive directors of the Company, and as to 5% by Mr. Fang Xi, the financial controller of the Company. The lease was for three years and was negotiated on arms-length basis and on commercial terms in the same manner as other outsiders. The details were outlined in the announcement of the Company dated 6 July 2006.

(b) During the year ended 31 December 2007, Mr. Xiao Bing, an executive director of the Company and Ms. Chen Jing, wife of Mr. Xiao Bing, Mr. Fang Xi, financial controller of the Company and Ms. Zhang Dandan, wife of Mr. Fang Xi, provided personal guarantees to a third party. In return, the third party provides a guarantee to secure a bank loan amounting to RMB10,000,000 granted to the Group. (2006: RMB10,000,000).

(c) During the year ended 31 December 2007, 海天投資, provided a corporate guarantee to a third party to secure an other borrowing amounting to RMB6,660,000 granted to the Group.

(d) **Compensation of key management personnel**

The key management personnel are the directors of the Company. The remuneration of directors during the year was as follows:

	2007	2006
	RMB	*RMB*
Short-term benefits	**1,397,703**	1,824,769
Post-employment benefits	**10,482**	13,141
	1,408,185	1,837,910

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

As of 31 December 2006 and 2007, the Group had no significant obligation apart from the contribution as stated above.

37. GOVERNMENT GRANTS

During the year ended 31 December 2007, government grants of RMB6,305,000 (2006: RMB189,300) have been received to subsidise for the construction of property, plant and equipment, for upgrading existing production capacity and to encourage export sales in the PRC. RMB5,505,000 (2006: RMB189,300) of which has been included in other revenue for the year, while the remaining RMB800,000 is included in other payables since the construction are not completed.

During the year ended 31 December 2007, the Group received government grants of RMB1,030,000 (2006: RMB150,000) for research and development and industrialisation of antenna for the 3G and TD-SCDMA mobile communication respectively. As at 31 December 2006, the development and industrialisation of antenna was not completed and RMB150,000 was included in other payables. During the year ended, 31 December 2007, the development and industrialisation of antenna is completed and RMB1,030,000 has been included in the consolidated income statement.

As at 31 December 2007, the development and industrialization of antenna for the 3G and TD-SCDMA mobile communication are not fully completed, the respective government grants of RMB88,372 (2006: RMB219,915) and RMB764,397 (2006: RMB2,288,542) have not yet been recognised in the consolidated income statement and are included as other payables. Amount of RMB478,149 has been recognised as other revenue and RMB1,177,539 has been deducted in the related expenses in the consolidated income statement for the year ended 31 December 2007.

During the year ended 31 December 2005, the Group received governments grants of RMB8,000,000 for technology improvement of base station antenna and the improvement were not fully completed. Amount of RMB1,023,493 has been included in other revenue for the year and the amounts of RMB2,520,327 (2006: RMB3,543,820) had not yet been recognised in the consolidated income statement and were included as other payables and accrual charges.

38. MAJOR NON-CASH TRANSACTIONS

As stated in Note 19, pursuant to the 4-parties Agreement, Datang Mobile and Jia Zai agreed that the TD-SCDMA Technology Licence Agreement and the Manufacturing Agreement should be terminated upon the completion of the Acquisition. Datang Mobile returned RMB60,000,000 received under the TD-SCDMA Technology Licence Agreement, of which RMB45,458,800 was set off against the consideration payable by the Company for the Acquisition, RMB10,541,200 was set off against accounts receivable of an equivalent amount owed by Jia Zai to Datang Mobile and the balance of RMB4,000,000 was paid by Datang Mobile to Jia Zai in cash.

39. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ operation	Registered capital / issued and fully paid share capital	Proportion of nominal value of issued capital held by the Group	Principal activities
XAHT Hong Kong	Hong Kong	1,500,000 shares of HK$1 each	100%	Trading of base station antennas and related products
Xian Haitian Communication System Engineering Co. Ltd.*	Mainland China	5,000,000 shares of RMB1 each	100%	Design and installation of the antennas and related products
Xian Hi-tech* *(Note i)*	Mainland China	1,500,000 shares of RMB1 each	100%	Development, manufacturing and trading of computer software and hardware
Jia Zai** *(Note ii)*	Mainland China	130,258,800 shares of RMB1 each RMB160,000,000 registered capital	100%	Development, manufacturing and consulting services of TD-SCDMA

* Limited company established in mainland china
** Sino-foreign equity joint venture registered in the PRC

Notes:

(i) On 6 November 2007, the Company acquired the 10% interest in shares of Xian Hi-tech from a minority shareholder of the Xian Hi-tech at the consideration of RMB150,000. Upon completion of the acquisition, Xian Hi-tech has become a wholly-owned subsidiary of the Company.

(ii) As described in Note 18, the Company agreed to acquire from Datang Mobile the 35% equity interest in Jia Zai at the consideration of approximately RMB45.46 million. The acquisition had been completed on 29 December 2007. Upon completion of the acquisition, Jia Zai has become a wholly-owned subsidiary of the Company.

None of the subsidiaries has been issued any debt securities at the end of both years.

Financial Summary

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
				(Restated)	
RESULTS					
Turnover	226,731,785	200,999,236	176,889,046	117,119,020	**135,011,375**
Profit (loss) before tax	53,526,916	17,096,606	16,004,066	(75,052,377)	**886,978**
Income tax (expense) credit	(10,518,081)	(2,079,248)	(611,391)	268,451	**21,867**
Profit (loss) for the year	43,008,835	15,017,358	15,392,675	(74,783,926)	**908,845**

	As at 31 December				
	2003	2004	2005	2006	**2007**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
				(Restated)	
ASSETS AND LIABILITIES					
Total assets	446,648,882	477,089,046	469,291,553	469,823,149	**352,607,574**
Total liabilities	(225,726,010)	(244,384,110)	(230,699,824)	(260,606,546)	**(183,074,422)**
Shareholders' funds	220,922,872	232,704,936	238,591,729	209,216,603	**169,533,152**