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)

2008 Interim Report

*For identification purposes only

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This report, for which the directors (the "Directors") of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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*

HIGHLIGHTS

- During the six months ended 30 June 2008, unaudited gross profit amounted to approximately RMB43.0 million, gross profit margin was approximately 43.6%, represented a significant increase when compared to the gross profit margin of 30.1% for the corresponding period in the year 2007.

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008.

INTERIM RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board (the "Board'') of Directors hereby submits the unaudited operating results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2008, together with the unaudited comparative figures for the corresponding period in the year 2007 as follows:

Condensed Consolidated Income Statements

		(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2008	2007	**2008**	2007
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*3*	**88,659**	50,184	**98,637**	68,733
Cost of sales		**(46,414)**	(33,062)	**(55,644)**	(47,998)
Gross profit		**42,245**	17,122	**42,993**	20,735
Other operating income		**1,275**	422	**1,308**	1,335
Distribution costs		**(2,894)**	(3,939)	**(7,367)**	(8,052)
Administrative expenses		**(8,901)**	(5,095)	**(15,382)**	(12,313)
Other operating expenses		**(3,118)**	(4,425)	**(6,312)**	(8,631)
Profit/(loss) from operations	*5*	**28,607**	4,085	**15,240**	(6,926)
Finance costs		**(2,433)**	(1,811)	**(4,668)**	(4,250)
Profit/(loss) before taxation		**26,174**	2,274	**10,572**	(11,176)
Income tax (expense)/credit	*6*	**(1)**	–	**(1)**	256
Net profit/(loss) for the period		**26,173**	2,274	**10,571**	(10,920)
Attributable to:					
Equity holders of the Company		**26,173**	3,208	**10,571**	(8,863)
Minority interests		**–**	(934)	**–**	(2,057)
		26,173	2,274	**10,571**	(10,920)
Dividend	*7*	**–**	–	**–**	–
Basic earning/(loss) per share (in RMB cents)	*8*	**4.04**	0.50	**1.63**	(1.37)

Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**121,775**	118,482
Prepaid lease payments		**880**	869
Goodwill		**4,837**	4,837
Intangible assets		**25,209**	27,589
Pledged bank deposits		**5,371**	2,493
		158,072	154,270
CURRENT ASSETS			
Inventories		**56,384**	34,571
Trade and bills receivables	*10*	**149,040**	93,513
Prepaid lease payments		**–**	21
Other receivables and prepayments		**48,494**	59,498
Amounts due from directors		**634**	665
Amounts due from related parties		**2,311**	3,119
Pledged bank deposits		**700**	746
Bank balances and cash		**15,985**	6,205
		273,548	198,338
CURRENT LIABILITIES			
Trade payables	*11*	**107,377**	63,269
Other payables and accrued charges		**20,970**	17,034
Dividend payables		**1,487**	1,987
Amounts due to a director		**–**	2,698
Tax liabilities		**6,476**	4,107
Bank and other borrowings		**114,606**	93,380
		250,916	182,475
NET CURRENT ASSETS		**22,632**	15,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**180,704**	170,133
NON-CURRENT LIABILITY			
Deferred tax liabilities		**600**	600
NET ASSETS		**180,104**	169,533
CAPITAL AND RESERVES			
Share capital		**64,706**	64,706
Reserves		**115,398**	104,827
TOTAL EQUITY		**180,104**	169,533

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital *RMB'000* (unaudited)	Share premium *RMB'000* (unaudited)	Statutory surplus reserve *RMB'000* (unaudited)	Statutory public welfare fund *RMB'000* (unaudited)	Retained profits *RMB'000* (unaudited)	Total *RMB'000* (unaudited)	Minority interests *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
At 1 January 2007	64,706	71,229	10,624	5,529	18,265	170,353	40,604	210,957
Net loss for the period	–	–	–	–	(8,863)	(8,863)	(2,057)	(10,920)
At 30 June 2007	64,706	71,229	10,624	5,529	9,402	161,490	38,547	200,037
At 1 January 2008	64,706	71,229	16,153	–	17,445	169,533	–	169,533
Net profit for the period	–	–	–	–	10,571	10,571	–	10,571
At 30 June 2008	**64,706**	**71,229**	**16,153**	**–**	**28,016**	**180,104**	**–**	**180,104**

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	2008 *RMB'000* (unaudited)	2007 *RMB'000* (unaudited)
Net cash generated from/(used in) operating activities	**6,258**	(3,265)
Net cash (used in)/generated from investing activities:		
Proceeds from disposal of property, plant and equipment	**–**	28,490
Proceed from disposal of prepaid lease payments	**–**	12,727
Purchase of property, plant and equipment	**(7,883)**	(10,187)
Other investing cash flows	**(1,955)**	(2,398)
	(9,838)	28,632
Net cash generated from/(used in) financing activities:		
Repayment of borrowings	**(33,380)**	(58,035)
New borrowings raised	**54,606**	–
Other financing cash flows	**(7,866)**	(4,130)
	13,360	(62,165)
Net increase/(decrease) in cash and cash equivalents	**9,780**	(36,798)
Cash and cash equivalents at 1 January	**6,205**	47,926
Cash and cash equivalents at 30 June represented by bank balances and cash	**15,985**	11,128

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company and its subsidiaries (the "Group") are principally engaged in research and development, manufacture and sale of base station antenna and related products.

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The Group's books and records are maintained in Renminbi ("RMB"), the currency in which the majority of the Group's transactions is denominated.

2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2007.

3. TURNOVER

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.

Turnover breakdown by nature of revenue:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Sales of goods	**82,935**	49,538	**92,145**	67,043
Service income	**5,724**	646	**6,492**	1,690
	88,659	50,184	**98,637**	68,733

4. 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:

	For the six months ended 30 June 2008			For the six months ended 30 June 2007		
	The People's Republic of China (the "PRC")	**Other countries**	**Consolidated**	The PRC	Other countries	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**30,027**	**68,610**	**98,637**	31,101	37,632	68,733
Segment result	**(5,468)**	**36,631**	**31,163**	(2,229)	12,355	10,126
Unallocated corporate expenses			**(15,923)**			(17,171)
Interest income			**–**			119
Finance costs			**(4,668)**			(4,250)
Profit/(loss) before taxation			**10,572**			(11,176)
Income tax (expense)/credit			**(1)**			256
Profit/(loss) for the period			**10,571**			(10,920)

Sales are allocated based on the places/countries in which customers are located.

No analysis of the Group's assets and liabilities and capital expenditures by geographical locations is presented as the majority of the Group's assets and liabilities and capital expenditures are located in the PRC.

5. PROFIT/(LOSS) FROM OPERATIONS

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit/(loss) from operations has been arrived at after charging:				
Directors' and supervisors' remuneration	**376**	299	**800**	839
Other staff costs	**4,896**	4,363	**9,007**	9,462
Retirement benefit scheme contributions (excluding those of directors and supervisors)	**298**	335	**525**	652
Total staff costs	**5,570**	4,997	**10,332**	10,953
Less: Staff costs included in research and development costs	**(379)**	(533)	**(575)**	(1,029)
Staff costs capitalised in development costs	**(449)**	(316)	**(1,024)**	(1,253)
	4,742	4,148	**8,733**	8,671
Auditors' remuneration				
Audit services	**230**	138	**390**	290
Other services	**–**	–	**–**	–
Cost of inventories recognised in the income statement	**44,407**	31,607	**53,367**	45,119
Depreciation and amortisation of property, plant and equipment	**2,813**	2,679	**4,523**	5,175
Less: Depreciation and amortisation included in research and development costs	**(897)**	(786)	**(1,620)**	(893)
Depreciation and amortisation capitalised in development costs	**(116)**	(338)	**(406)**	(829)
	1,800	1,555	**2,497**	3,453
Amortisation of development cost (included in other operating expenses)	**2,195**	2,115	**4,538**	4,172
Amortisation of technological know-how (included in other operating expenses)	**250**	1,940	**500**	3,881
Amortisation of prepaid lease payments (included in administrative expenses)	**5**	65	**10**	129
Total depreciation and amortisation	**4,250**	5,675	**7,545**	11,635

5. PROFIT/(LOSS) FROM OPERATIONS (CONTINUE)

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loss on disposal of property, plant and equipment	**67**	1,107	**67**	1,107
Research and development costs	**2,195**	2,730	**4,538**	4,819
Less: Development costs capitalised	**(1,532)**	(1,096)	**(2,791)**	(2,516)
	663	1,634	**1,747**	2,303
Interest expenses on borrowings	**2,434**	1,759	**4,668**	4,130
Less: Amount capitalised	**(152)**	–	**(152)**	–
	2,282	1,759	**4,516**	4,130
and after crediting:				
Interest income	**23**	67	**38**	119
Gain on disposal of prepaid lease payments	**–**	2,401	**–**	2,401

6. INCOME TAX EXPENSE/(CREDIT)

Currently, the Company and certain of its subsidiaries established in mainland China 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 mainland China, they are subject to mainland China enterprise income tax ("EIT") at 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 amount for the six months ended 30 June 2007 represented over provision for EIT of the Company on the estimated assessable profit for the year 2006.

7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

8. BASIC EARNING/(LOSS) PER SHARE

The calculation of the basic earning/(loss) per share is based on the unaudited net profit for the three months and six months ended 30 June 2008 of approximately RMB26,173,000, and RMB10,571,000 respectively (net profit for the three months and net loss for six months ended 30 June 2007 of approximately RMB3,208,000, and RMB8,863,000 respectively) divided by 647,058,824 shares in issue (2007: 647,058,824 shares).

No diluted earning/(loss) per share have been presented because there is no potential ordinary share outstanding during either period.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB7.9 million (2007: RMB10.2 million) on acquisition of property, plant and equipment.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2008 *RMB'000*	As at 31 December 2007 *RMB'000*
Trade receivables	**164,722**	109,361
Bills receivables	**227**	61
Less: Impairment loss recognised	**(15,909)**	(15,909)
	149,040	93,513

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 240 days from the date of issuance except for certain well established customers. The following is an ageing analysis of trade receivables net of impairment loss recognised at the reporting date:

	As at 30 June 2008 *RMB'000*	As at 31 December 2007 *RMB'000*
Age		
0 to 60 days	**81,915**	38,161
61 to 120 days	**4,209**	12,150
121 to 180 days	**1,661**	9,536
181 to 240 days	**25,823**	3,894
241 to 365 days	**7,945**	1,266
Over 365 days	**27,260**	28,445
	148,813	93,452

The Directors consider that the carrying amount of the trade receivables approximates their fair value.

11. TRADE PAYABLES

The following is an ageing analysis of trade payables at the reporting date:

	As at 30 June 2008 ***RMB'000***	As at 31 December 2007 *RMB'000*
Age		
0 to 60 days	**50,287**	23,500
61 to 120 days	**4,877**	5,289
121 to 365 days	**37,402**	17,936
Over 365 days	**14,811**	16,544
	107,377	63,269

The Directors consider that the carrying amount of the trade payables approximates their fair value.

12. CAPITAL COMMITMENTS

	As at 30 June 2008 ***RMB'000***	As at 31 December 2007 *RMB'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**2,394**	4,916

Business Review

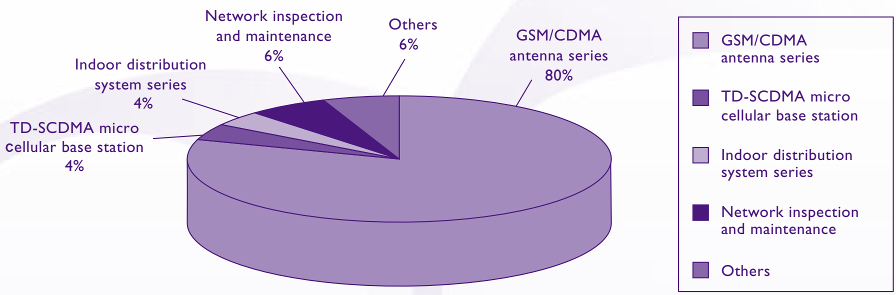
Turnover

The Group recorded an unaudited turnover of approximately RMB98.64 million for the six months ended 30 June 2008("Review Period"), representing an increase of approximately 44% compared with the unaudited turnover for the corresponding period in the year 2007. The growth was mainly due to the increase in sales revenue of the Group's GSM/CDMA antenna series products and the satisfactory outcome in the development of international markets. Percentage of total sales of GSM/CDMA antenna series products to total revenue increased from approximately 56% for the corresponding period in the year 2007 to approximately 80% for the six months ended 30 June 2008. Contribution of export sales revenue to turnover also increased from approximately 55% for the corresponding period in the year 2007 to approximately 70% for the six months ended 30 June 2008.

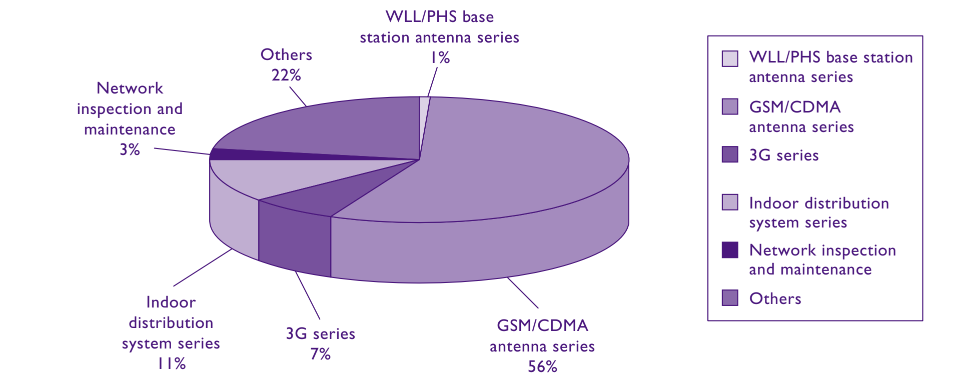
During the Review Period, the Group focused on exploring the Indian market, where it cooperated with MOTOROLA, a world-renowned telecommunication system integrator, and NORTEL, supplier to the largest telecommunication operator in India, BNSL. The cooperation has achieved satisfactory progress and has become a major driver of growth for the Group's turnover.

Composite of sales by product line for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in the year 2007, are provided as follows:

For the six months ended 30 June 2008 (by product line)

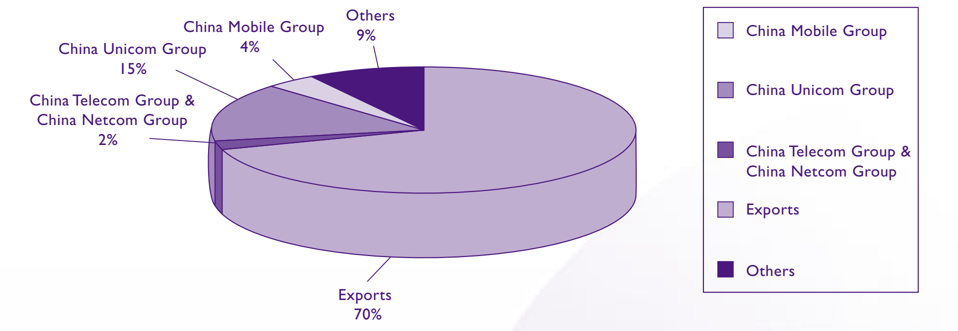


For the six months ended 30 June 2007 (by product line)

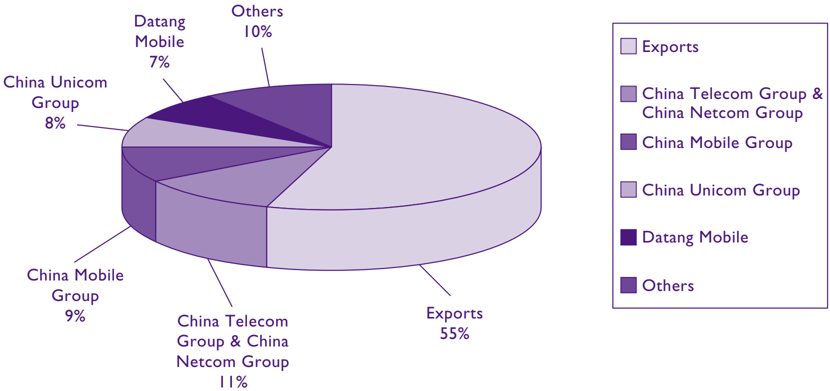


Composite of turnover by major customers for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in the year 2007, are provided as follows:

For the six months ended 30 June 2008 (by major customers)



For the six months ended 30 June 2007 (by major customers)



Legend:

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")

Datang Mobile: 大唐移動通訊設備有限公司 (Datang Mobile Communications Equipment Company Limited) ("Datang Mobile")

Gross profit

During the six months ended 30 June 2008, unaudited gross profit amounted to approximately RMB43.0 million. Gross profit margin was approximately 43.6%, representing an increase of 13.5% when compared to that of 30.1% for the corresponding period in the year 2007, while gross profit margin of export sales has even reached the level of approximately 57%. The increase in gross profit margin was mainly due to the fact that sales of high value-added remote electrical tilt antenna, a new product of the Group launched in the year, have contributed approximately 67% of sales revenue for the first half of the year; together with the application of the newly-developed technology of "Base Station Antenna Core Dipole Element" and the Group's persistent cost-reduction efforts, all in all pushing the gross profit margin to surge.

Operating Costs and Expenses

Distribution costs for the six months ended 30 June 2008 amounted to approximately RMB7.37 million, representing a decrease of approximately RMB0.69 million or approximately 8.5% compared with the corresponding period in the year 2007. The decrease was mainly attributable to the positive results of the Group's enhanced budget management and cost reduction measures which include strengthening the administrative functions in various departments as well as optimizing and streamlining human resources.

Administrative expenses have increased by approximately RMB3.07 million or 25% to approximately RMB15.38 million compared with the corresponding period in the year 2007. The increase was attributable to the following factors: (1) the Group's plants and office building has been completed and put into use last July and began to amortize last August; (2) due to the abovementioned reasons, buildings constructed on the land leased from Haitian Holdings, a related party, had been put into use and the related land lease payments were accounted for as expenses rather than construction in progress as of last year.

Other operating expenses amounted to approximately RMB6.31 million, representing a decrease of approximately RMB2.32 million or 27% compared with that of the corresponding period in the year 2007. Decrease in other operating expenses was mainly resulted from the returning of the technological know-how for TD-SADMA mini-cellular base station to Datang Mobile in December 2007 and amortization was no longer required thereafter. Jiazai Telecommunications Equipment Company Limited, a joint venture formed by the Group and Datang Mobile, purchased such technological know-how from Datang Mobile.

During the Review Period, finance costs amounted to approximately RMB4.67 million, representing an increase of approximately RMB0.42 million or 10% as compared with the corresponding period in the year 2007. The increase was mainly due to the PRC's macro-economic austerity measures, which raised the interest rates on the Group's borrowings, and appreciation of RMB resulting in exchange losses.

Net profit

For the six months ended 30 June 2008, the Group recorded unaudited earnings of approximately RMB10.57 million, comparing with a loss of RMB10.92 million for the corresponding period last year. The turnaround was mainly attributable to the increase in sales revenue and, in particular, the increase in export sales revenue and sales revenue from high-end remote electrical tilt antenna, boosting the overall earnings.

PROSPECTS

Looking ahead, as major telecommunication operators continue to extend their investments in 2G network, immense business opportunities will be presented to the Group. Moreover, during the first half of the year 2008, China Mobile, the Group's major client, has not yet commenced intensive purchasing which has been postponed to July and will drive the growth in the Group's turnover for the second half of the year.

Meanwhile, the reorganization in the PRC telecommunications industry will prompt operators to commit themselves to building a 3G network. At the initial stage, large scale networking projects will be required. At present, operators are engaged in the preparation for inviting tenders from contractors. In terms of building a 3G network, the Group is well-positioned to capitalize on such huge opportunity.

In respect of developing overseas markets, the Group will fully capitalize on the opportunities presented in the Indian market. Leveraging its edges in terms of technology and costs, the Group will strengthen the cooperation with well-known international telecommunications operators so as to establish a close partnership. In so doing the Group will be able to promote its products in the international market, thereby boosting export sales revenue.

As for product development, the Group will continue to aim at improving and perfecting its high value-added remote electrical tilt antenna products. As the remote electrical tilt antenna series have already generated considerable sales volume in the first half of the year 2008, sales revenue from the product is expected to make a larger contribution to sales revenue in the second half of the year.

In a nutshell, the Group will endeavor to enhance the contribution of sales revenue from high-end products such as the remote electrical tilt antenna. By innovating product design to lower production costs, streamlining production process as well as strengthening staff training to improve productivity and elevating its profitability, the Group strives to attain the leading status in the base station antenna market nationwide.

LIQUIDITY AND FINANCIAL RESOURCES

During the reporting period, the Group was mainly financed by cash flow from business operations and banking facilities.

The Group's short-term bank borrowings increased from approximately RMB93.4 million to approximately RMB114.6 million which represented total bank borrowings of the Group as at 30 June 2008. These bank borrowings were mainly used for the Group's daily operation and acquisition of property, plant and equipment.

As at 30 June 2008, all of the Group's bank borrowings bear interest at fixed interest rates ranging from 6.6% to 11.0% per annum. Since all the bank borrowings were denominated in Renminbi, exposure to foreign exchange risk was minimal.

During the reporting period, the Group's gearing ratio increased to 59.6% (as at 31 December 2007: 55.1%), which is calculated based on total borrowings of approximately RMB107.4 million over total shareholders' funds of approximately RMB180.1 million. Cash and cash equivalents increased from approximately RMB6.2 million to RMB16.0 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or Renminbi, which are directly related to the Group's business in the areas of the currencies concerned.

CHARGES ON GROUP'S ASSETS

As at 30 June 2008, the Company pledged bank deposits with a total amount of approximately RMB6.1 million, buildings of net book value of approximately RMB25.6 million, prepaid lease payments of net book value of approximately RMB0.9 million and trade receivables of approximately RMB66.5 million for banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group and the Company did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2008, the Group was not exposed to any significant foreign exchange risk as majority of the Group's transactions were denominated in Renminbi. Hence, no financial instrument for hedging was employed.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group had approximately 908 full-time employees. Total staff costs for the six months ended 30 June 2008 amounting to approximately RMB10.3 million (six months ended 30 June 2007: RMB11.0 million), including remuneration of the Directors and members of supervisory committee (the "Supervisors") and staff costs included in research and development costs and capitalized. The Group reviews employee remuneration from time to time and increases 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 on the financial performance of the Group. The Group has not granted any share options to the Directors and its full-time employees.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries, during the six months ended 30 June 2008 and as at the balance sheet date, the Group did not hold other investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 30 June 2008, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB2.4 million (as at 31 December 2007: RMB4.9 million). Save as disclosed herein the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2008, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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 30 June 2008, 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 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in 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 (左宏先生)	Personal	Held by controlled corporation *(Note 2)*	75,064,706	15.47%	11.60%

Note 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.

Note 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 30 June 2008 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 to 5.67 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 30 June 2008, 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.

* *For identification purpose only*

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

As at 30 June 2008, 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
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*)	Corporate	Beneficial owner	100,000,000	20.60%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706	15.47%	11.60%
Mr. Zhang Yinghua (張英華先生)	Personal	Held by controlled corporation	75,064,706 *(Note 2)*	15.47%	11.60%

* *For identification purpose only*

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
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 3)*	14.45%	10.84%
上海証大投資管理有限公司 (Shanghai Zendai Investment Management Co., Ltd.*) ("Shanghai Zendai")	Corporate	Held by controlled corporation	70,151,471 *(Note 3)*	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 Domestic Shares were held by Shenzhen Huitai, which is beneficially owned by Mr. Zuo Hong and Mr. Zhang Yinghua in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Mr. Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.

3. The Domestic Shares were held by XITIC. By virtue of the SFO, Xi'an Finance Bureau and Shanghai Zendai, 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.

* *For identification purpose only*

(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 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)*	8.04%	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 30 June 2008, 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.

COMPETING INTERESTS

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

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established on 4 April 2003 with terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 June 2008, the Audit Committee comprised of Mr. Lei Huafeng and Professor Gong Shuxi, independent non-executive Directors, and Mr. Li Wenqi, a non-executive Director. The Group's unaudited consolidated results for the six months ended 30 June 2008 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2008, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2008, the Company has adopted a code of conduct for securities transactions by Directors (the "Code"), which is no less exacting than the required standard of dealings of securities by Directors as set out in Rule 5.48 to 5.67 of the GEM Listing Rules. In addition, the Company has made specific inquiry with all the Directors, and has not been notified of any noncompliance with the standard of dealings of securities by Directors and the Code.

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 six months ended 30 June 2008.

By order of the Board
Professor. Xiao Liangyong
Chairman

Xi'an, the PRC, 30 July 2008

* *For identification purpose only*

As at the date of this report, the Board comprises Professor. Xiao Liangyong (肖良勇教授), Mr. Xiao Bing (肖兵先生) and Mr. Zuo Hong (左宏先生) being executive Directors; Mr. Xing Changling (杏昌靈先生), Mr. Luo Maosheng (羅茂生先生), Mr. Sun Wenguo (孫文國先生), Ms. Wang Jing (王京女士) and Mr. Li Wenqi (李文琦先生), being non-executive Directors; and Professor. Gong Shuxi (龔書喜教授), Mr. Lei Huafeng (雷華鋒先生) and Mr. Qiang Wenyu (強文郁先生), being independent non-executive Directors.