



西安海天天线科技股份有限公司
Xi'an Haitian Antenna Technologies Co., Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8227)

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2008

Third Quarterly 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 these 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 of the Stock Exchange 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 reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website “www.hkgem.com” in order to obtain up-to-date information on the 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 board of 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”) 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.*

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HIGHLIGHTS

- The Group's unaudited turnover for the nine months ended 30 September 2008 was RMB120.06 million, representing an increase of approximately 18% when compared with that of the corresponding period in the year 2007.
- The Group's unaudited net profit for the nine months ended 30 September 2008 was approximately RMB0.3 million, representing an improvement of RMB8.8 million when compared to the net loss of approximately RMB8.5 million for the corresponding period in the year 2007.
- The Board does not recommend the payment of a dividend for the three months ended 30 September 2008 (2007: nil).

CONSOLIDATED RESULT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

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

Unaudited Consolidated Income Statement

	Notes	(Unaudited) For the three months ended 30 September 2008		(Unaudited) For the nine months ended 30 September 2008	
		RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
Turnover	3	21,421	32,690	120,058	101,423
Cost of sales		(13,211)	(17,529)	(68,855)	(65,527)
Gross profit		8,210	15,161	51,203	35,896
Other operating income		447	1,045	1,755	2,380
Distribution costs		(5,418)	(3,991)	(12,785)	(12,043)
Administrative expenses		(6,798)	(6,033)	(22,180)	(18,346)
Other operating expenses		(3,515)	(5,082)	(9,827)	(13,713)
Profit(loss) from operations		(7,074)	1,100	8,166	(5,826)
Finance costs		(3,210)	(2,066)	(7,878)	(6,316)
Profit(loss) before taxation		(10,284)	(966)	288	(12,142)
Income tax (expense) credit	4	-	-	(1)	256
Net profit(loss) for the period		(10,284)	(966)	287	(11,886)
Attributable to:					
Equity holders of the Company		(10,284)	408	287	(8,455)
Minority interests		-	(1,374)	-	(3,431)
		(10,284)	(966)	287	(11,886)
Dividend	5	-	-	-	-
Basic earnings(loss) per share (in RMB cents)	6	(1.6)	0.1	-	(1.3)

Notes to the Unaudited Consolidated Financial Results

For the nine months ended 30 September 2008

1. BASIS OF PREPARATION

The Company is a foreign investment joint stock limited company and its overseas listed foreign shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 consolidated financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 Group's 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:

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	20,703	31,298	110,020	98,341
Service income	718	1,392	10,038	3,082
	21,421	32,690	120,058	101,423

3. TURNOVER (continued)

Turnover breakdown by location:

	(Unaudited) For the three months ended 30 September 2008		(Unaudited) For the nine months ended 30 September 2008	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
The People's Republic of China (the "PRC")	19,935	9,140	49,962	40,241
Overseas	1,486	23,550	70,096	61,182
	21,421	32,690	120,058	101,423

4. INCOME TAX 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 nine months ended 30 September 2007 represented over provision for EIT of the Company on the estimated assessable profit for the year 2006.

5. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 30 September 2008 (2007: nil).

6. BASIC EARNINGS(LOSS) PER SHARE

The calculation of the basic earnings(loss) per share is based on the unaudited net loss for the three months and unaudited net profit for the nine months ended 30 September 2008 of approximately RMB(10,284,000) and RMB287,000 respectively (unaudited net profit for the three months and unaudited net loss nine months ended 30 September 2007: approximately RMB408,000 and RMB(8,455,000) respectively) divided by the number of 647,058,824 shares in issue (2007: 647,058,824 shares).

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

7. RESERVES

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(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	-	-	-	-	(8,455)	(8,455)	(3,431)	(11,886)
At 30 September 2007	64,706	71,229	10,624	5,529	9,810	161,898	37,173	199,071
At 1 January 2008	64,706	71,229	16,153	-	17,445	169,533	-	169,533
Net profit for the period	-	-	-	-	287	287	-	287
At 30 September 2008	64,706	71,229	16,153	-	17,732	169,820	-	169,820

MANAGEMENT DISCUSSION AND ANALYSIS

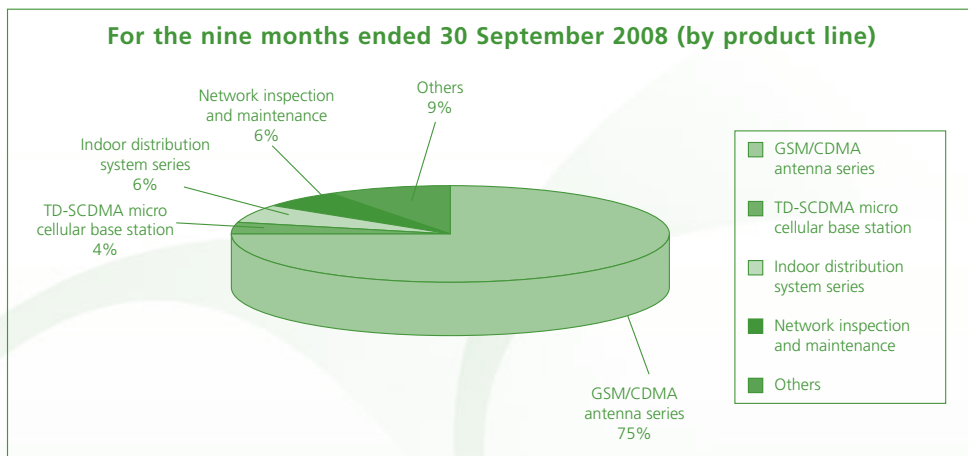
Business Review

Turnover

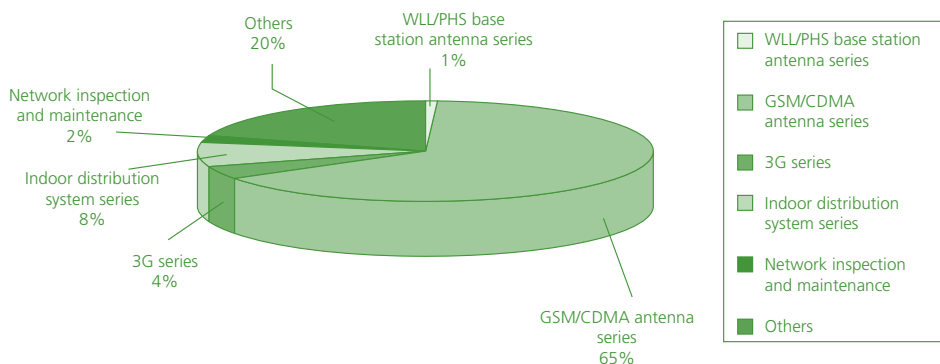
The Group recorded an unaudited turnover of approximately RMB120.06 million for the nine months ended 30 September 2008 ("Review Period"), representing an increase of approximately 18% compared with the unaudited turnover for the corresponding period in the year 2007. The growth was mainly due to the 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 65% for the corresponding period in the year 2007 to approximately 75% for the nine months ended 30 September 2008.

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

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

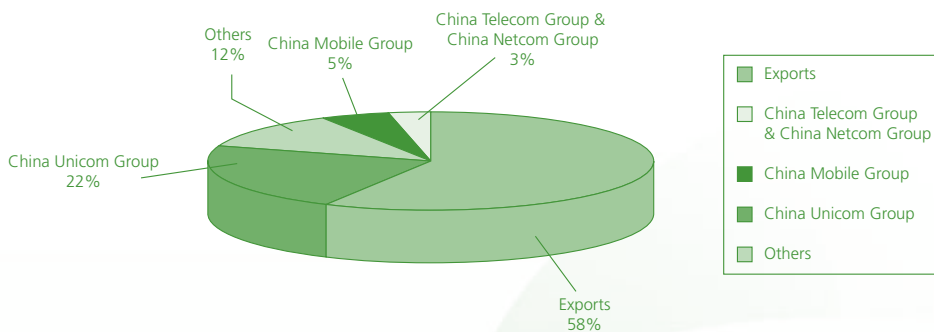


For the nine months ended 30 September 2007 (by product line)

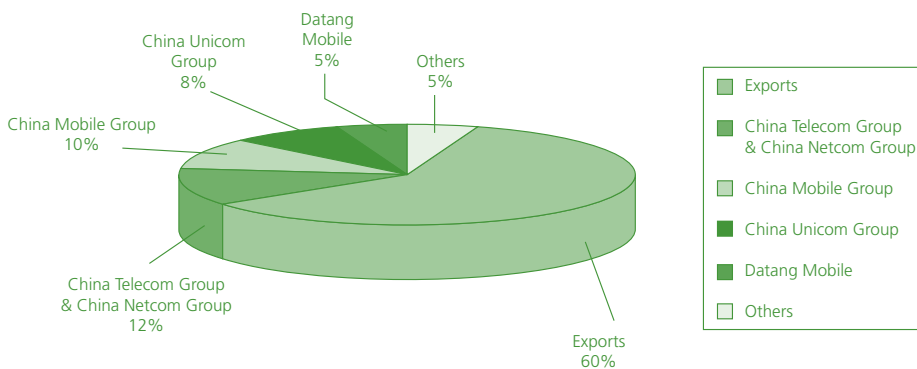


Composite of turnover by major customers for the nine months ended 30 September 2008, together with the comparative figures for the corresponding period in the year 2007, is provided as follows:

For the nine months ended 30 September 2008 (by major customers)



For the nine months ended 30 September 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 中國網通 (集團) 有限公司 (China Netcom (Group) Company 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 nine months ended 30 September 2008, unaudited gross profit amounted to approximately RMB51.2 million, gross profit margin was approximately 42.6%, represented an improvement when compared to the gross profit margin of 35.4% for the corresponding period in the year 2007. 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 58.7% of sales revenue for the nine months of the year; together with the application of the newly developed technology of "New Microstrip Slide Phase Shifter" 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 nine months ended 30 September 2008 amounted to approximately RMB12.79 million, representing an increase of approximately RMB0.74 million or approximately 6.2% compared with the corresponding period in the year 2007. The increasing rate of distribution costs was lower than the increase of turnover by approximately 18.4% because of the positive results of the Group's enhanced budget management and cost reduction measure which include strengthening the administrative functions in various departments as well as optimizing and streamlining human resources.

Administrative expenses increased by RMB3.8 million or 20.9%, amounting to approximately RMB22.2 million comparing with the corresponding period in the year 2007. The increase was mainly 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 payment were accounted for as expenses rather than construction in progress as of last year.

Other operating expenses amounted to approximately RMB9.8 million, representing a decrease of approximately RMB3.9 million comparing with the corresponding period in the year 2007. The decrease was mainly resulted from the returning of the technological know-how for TD-SCDMA min-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.

Finance costs were approximate to RMB7.9 million for the nine months ended 30 September 2008, representing an increase of 24.7% over the corresponding period in 2007. The increase was mainly due to interest rates on the Group's borrowings raised under the marco-economic austerity measures in the PRC.

Consequently, during the nine months ended 30 September 2008, the Group recorded an unaudited net profit of approximately RMB0.3 million, comparing with an unaudited net loss of approximately RMB8.5 million for the corresponding period in year 2007. The turnaround was mainly attributable to the increase of sales revenue and gross profit margin.

PROSPECTS

After the reform of the PRC telecommunications industry be announced in mid-2008, all the three major telecommunication operators in the PRC including China Mobile, China Unicom and China Telecom are preparing for the construction of 3G networks. The Group succeeds to develop the new technology named Base Station Antenna Core Dipole Element for 3G networking this year. The Group is well-positioned to capitalize on such huge opportunity and is tendering the supply of TD products to China Mobile.

Meanwhile, these telecommunication operators will continue to refine their existing networks and extend their investments in 2G. The Group will also capture these business opportunities by providing high value-added remote electrical tilt antenna product. In the second half of the year 2008, the Group received the orders of approximately 68,000 pieces of antenna products from the intensive purchasing of three major telecommunication operators in the PRC.

In respect of developing overseas markets, the Group will continue to establish good cooperation relationships with well-known international telecommunications operators in the Indian market. Leveraging its edges in terms of technology and costs, the Group will fully capitalize on the opportunities here.

As for product development, the Group's self-developed remote electrical tilt antenna series was launched this year and have generated considerable sales revenue in Review Period, and are expected to make a larger contribution to its future revenue. Besides, the Group will continue to improve and further develop more high value-added remote electrical tilt antenna products.

Looking forward, the Group will endeavor to enhance the contribution of sales revenue from high-end products. To increase the productivity and reduce the production costs through innovating product design and streamlining the production processes. The Group strives to attain the leading status in the base station antenna market in the PRC.

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 September 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 September 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 September 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.

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

As at 30 September 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.

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(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%

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 September 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 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2008.

By order of the Board
Professor. Xiao Liangyong
Chairman

Xi’an, the PRC, 7 November 2008

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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.