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)

Xi'an Haitian Antenna Technologies

annual report 09

*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 the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors (the "Directors") of Xi'an Haitian Antenna Technologies Co., Ltd.* (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 bases and assumptions that are fair and reasonable.

* For identification purpose only

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AntennaTechnologies Co., Ltd.

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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

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

GEM STOCK CODE

8227

WEBSITE

www.xaht.com
www.htantenna.com

LEGAL ADVISERS AS TO HONG KONG LAW

K&L Gates
35th Floor, Two International Finance Centre
8 Finance Street, Central, Hong Kong

AUDITORS

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

COMPANY SECRETARY

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. Lin Deqiong (林德瓊先生)

AUTHORISED REPRESENTATIVES

Mr. Xiao Bing (肖兵先生)
Mr. Chan Pak Kin Ken (陳伯健先生)

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
Hopewell Centre, 46th Floor
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, 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 2009.

The Group had a challenging year in 2009 after the global financial crisis and economic downturn since the fourth quarter of 2008 throughout the world. Decline in export sales during the year which had gross profit margin doubled to the domestic sales was resulted in lower gross profit margin to the Group. On the other hand, the growth in domestic sales due to the expansion of existing network ("2G") and the network construction of third generation mobile telecommunications ("3G") business by the three major telecommunication operators gave a favourable increase in the Group's turnover. However, strong price competition in the industry and the suspension of overseas markets, the Group recorded a loss in 2009.

Our successful in the research and development of 3G products which had leading technologies in the industry would become our main source of income in the forthcoming year. The growth in the export sales after economic recession is expected due to our well-developed customers network in India and new emerging South American markets.

Nevertheless, the Group would still maintain its strength and market share in 2G business by further development on high value-added products and environmental protection facilities. In addition, several cost control measures and credit control over customers would be taken to enhance the Group's operating efficiency in 2010.

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude towards all our valued customers, business associates and our employees, of whom we have established good rapport. We would also like to extend our sincere thanks to our shareholders, who have shown us unwavering support since our listing. With your loyalty and confidence in us, we will continue to bring good value to you as investors.

Professor Xiao Liangyong
Chairman

Xi'an, the PRC
19 March 2010

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

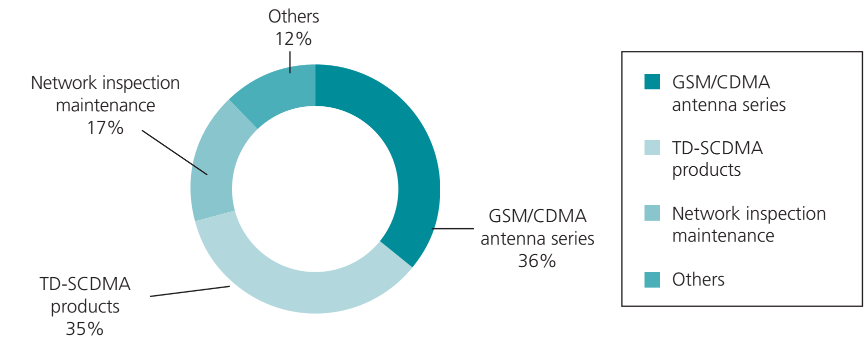
The Group recorded a turnover of approximately RMB195.4 million for the year ended 31 December 2009, representing an increase of approximately 28.5% from last year. The increase was mainly come from growth in sales of GSM/CDMA and TD-SCDMA products to compensate the decline in Indian markets due to global economic turndown.

The original telecommunication operating licenses in the Mainland China were rearranged to three major telecommunication operators in 2009, the Group was benefited from their further expansion and development of existing network increase in sales.

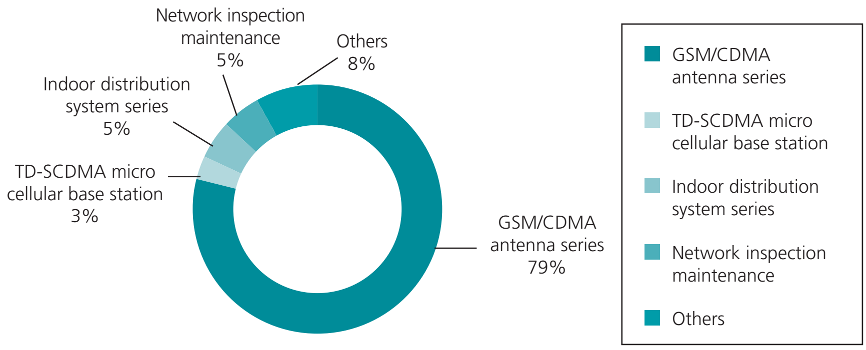
Commencement of third generation mobile telecommunications business in Mainland China during the year, the sales in TD-SCDMA products which have the leading technologies in the industry contribute 35% revenues to the Group.

Composite of sales by product line for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008, are provided as follows:

For the year ended 31 December 2009 (by product lines)

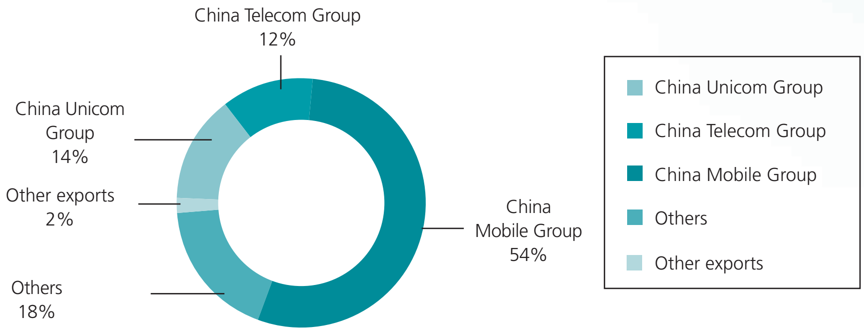


For the year ended 31 December 2008 (by product lines)

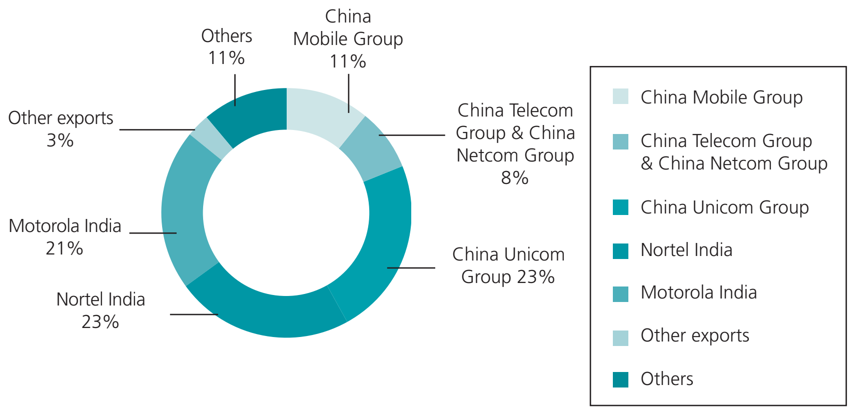


Composite of turnover by major customers for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008, are provided as follows:

For the year ended 31 December 2009 (by major customers)



For the year ended 31 December 2008 (by major customers)



Legend:

China Telecom Group: 中國電信集團公司 (China Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Telecom Group")

China Netcom Group: 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")

Nortel India: Nortel Networks India PVT Ltd

Motorola India: Motorola India Private Limited

Gross Profit

The Group's gross profit for the year 2009 amounted to approximately RMB41.8 million, representing a decrease of approximately 29.0% over 2008. Gross profit margin was 21.4% in 2009 compared to 38.7% in 2008. The drop in gross profit margin was due to high value-added GSM/CDMA antenna series sales together with high profit margin export sales were dropped. In additions, in order to maintain the market share for 2G products, the overall price level in 2009 was lower than previous year.

Other Revenue

Other revenue was approximately RMB12.8 million, representing an increase of 166.3%. The significant increase was mainly attributable to government grants increase from approximately RMB3.8 million in 2008 to approximately RMB9.5 million in 2009, and reversal of impairment loss on trade receivables was approximately RMB1.5 million for the year.

Operating Costs and Expenses

Distribution costs were approximately RMB20.2 million, representing an increase of approximately 8.2% over year 2008. The increase was lower than the growth of sales for the year because of a great decrease in overseas traveling expenses for export sales.

Administrative expenses had decreased by approximately RMB5.9 million, representing a decrease of 10.6% as compared with the year 2008. The decrease was mainly due to the decrease of amortization of development costs reduced from approximately RMB9.3 million in 2008 to approximately RMB6.7 million this year and the impairment loss on development costs for technology of PHS of approximately RMB5.7 million in 2008 had not recurred this year, the above decrease was offset by the increase in impairment loss on trade and other receivables by approximately RMB1.4 million for the year.

Finance costs amounted to approximately RMB10.2 million which was remained the same as in 2008. The main reason was the decrease of average interest rate by 3% – 4% per annum during the year, nonetheless, the average interest bearing borrowings were increased more than RMB50 million.

Consequently, loss attributable to shareholders for the year ended 31 December 2009 was approximately RMB26.5 million, as compared to a loss attributable to shareholders of approximately RMB21.0 million in 2008. The net loss position was mainly due to the drop in gross profit margin and the impairment loss on other receivables as mentioned above.

PROSPECTS

3G potentials

Following the permission to operate third generation mobile telecommunications ("3G") business in Mainland China in January 2009, the investments in 3G network spent by the three major telecommunication operators contribute a large portion of revenues to the Group. The Group has successful products in 3G business and leading technologies in 3G networking, it believes that the Group could maintain its large market share in the construction of 3G networking and have increasing revenues from the related products and services. The Group will continue to focus on developing 3G related products and the Directors expect the opportunities that 3G brought to the Group are expectant.

Global income source

Globalization of 3G network leads to worldwide auction of its network construction to be carried out in the near future. The valuable experience and advance technology on the development for 3G network held by the Group could capture the enormous business opportunities in these markets, especially the well-developed customer network in India and newly developing market in South America. The Group expects that expansion of such overseas markets would have a substantial contribution to its revenues in the future.

Enhancement of competitiveness

The Group continually strengthen its research and development, especially for product development. Several new products are expected to be launched in the World Expo at Shanghai in 2010 and they are expected to have a larger contribution to the future revenue. Besides, more resources would be put into improvement and development of high value-added and environmental protection remote electrical tilt antenna products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by cash from banking facilities. As at 31 December 2009, the Group had bank loans of approximately RMB133.6 million and other loans of approximately RMB4.0 million of which RMB58.0 million were repayable within one year. These borrowings were mainly used for the Group's daily operations.

As at 31 December 2009, all of the Group's interest-bearing borrowings borne fixed interest rates ranging from 5.58% to 15%. Since all the borrowings were denominated in RMB, the Directors consider that exposure to foreign exchange risk was minimal.

As at 31 December 2009, the Group's gearing ratio increased to 109.3% (2008: 58.9%), which is calculated based on total interest bearing borrowings of approximately RMB137.6 million and total shareholders' funds of approximately RMB125.9 million. Cash and cash equivalents increased from approximately RMB8.7 million to RMB16.1 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and were denominated in 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 2009, 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 2009, the Group pledged bank deposits of approximately RMB10.2 million, buildings of carrying value of approximately RMB23.1 million and land lease premium held for own use of carrying value of approximately RMB0.8 million for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2009, 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 2009, the Group had approximately 1,104 full-time employees. Total staff costs for the year 2009 amounted to approximately RMB28.2 million (2008: RMB22.7 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 2009.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2009, 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 RMB3.9 million (2008: RMB1.0 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 2009.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2009, sales to the top five customers and the largest customer accounted for approximately 91.9% (2008: 85.5%) and 54.3% (2008: 23.1%) respectively of the Group's total turnover.

For the year ended 31 December 2009, purchases from the top five suppliers and the largest supplier accounted for approximately 28.9% (2008: 44.2%) and 7.6% (2008: 23.8%) 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 2009.

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 2009, the Board comprised eleven Directors, including the Chairman (who was also an Executive Director), two executive Directors, three independent non-executive Directors and five non-executive Directors. Biographies of the Directors are set out in the paragraph headed "Directors, Supervisors and Senior Management" of this annual 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 2009:

	Number of meetings attended/Total
Executive Directors	
Professor Xiao Liangyong (Chairman)	4/5
Mr. Xiao Bing	4/5
Mr. Zuo Hong	3/5
Non-Executive Directors	
Mr. Luo Maosheng	4/5
Mr. Li Wenqi	5/5
Mr. Sun Wenguo	4/5
Mr. Cong Chunshui	1/5
Mr. Lin Deqiong	1/5
Independent Non-Executive Directors	
Professor Gong Shuxi	5/5
Mr. Lei Huafeng	3/5
Mr. Qiang Wenyu	5/5

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 2009 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. Lin Deqiong.

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 2009 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 2009.

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

The Audit Committee held five meetings in 2009 discussing the Group's annual results for 2008, quarterly results for 2009, 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	5/5
Independent Non-Executive Directors	
Professor Gong Shuxi	5/5
Mr. Lei Huafeng	3/5

AUDITORS' REMUNERATION

During 2009, the fees paid and payable to external auditors for audit services and other services amounted to RMB420,000 and RMB20,000 respectively.

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 on 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 74, 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 and was re-appointed as an executive Director from September 2007. 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 44, 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 46, 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 47, 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. Sun Wenguo (孫文國先生), aged 34, 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 44, 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, "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.

Mr. Cong Chunshui (叢春水先生), aged 37, graduated from Dalian University of Technology (大連理工大學). Mr. Cong was in charge of the research and development department of Dragon Pharm in Beijing from July 1997 to July 1999. From July 1999 to July 2000, he served as patent agent of Zhongke Patents and Trademarks Agency Company Limited (中科專利商標代理有限責任公司). From July 2000 to July 2001, he served as manager of investment department of Beijing Zhongguancun Qingnian Chuangye Company Limited (北京中關村青年創業有限公司). From July 2001 to August 2003, he served as manager of the research department of Singapore Bioprocessing Technology Centre (新加坡國家生物技術中心). From December 2003 to May 2005, he served as Assistant to General Manager and general manager of investment department of Shanghai Fosun Pharmaceutical Co., Ltd. (上海復星醫藥股份有限公司). From December 2005 to January 2006, he served as manager of investment management department of Beijing Holdings. Mr. Cong served as deputy manager from February 2006 to January 2007 and has served as manager of operation management department of Beijing Holdings since January 2007.

Mr. Lin Deqiong (林德瓊先生), aged 46, graduated from Zhongnan University of Economics and Law (中南財經政法大學) with a bachelor degree in economics in 1985 and from Beihang University (北京航空航太大學) with a master degree in business management in 2007, and is currently a doctorate candidate in finance engineering in Beihang University (北京航空航太大學). From August 1985 to June 1989, he served as officer in Petroleum Tax Bureau of the Ministry of Finance of the People's Republic of China (中華人民共和國財政部石油稅務局). From July 1989 to March 1993, Mr. Lin served as financial controller of Thailand Art Ceramics Limited and Thailand Equipment Limited (泰國成套設備有限公司). From April 1993 to December 1998, he served as general manager of international department of China Jingu International Trust and Investment Limited (中國金谷國際信託投資公司). He served as general manager of capital department from January 1999 to February 2001 and capital management department from March 2001 to October 2002 of China Overseas Engineering Group Co. Ltd. (中國海外工程總公司). From November 2002 to December 2006, he served as general manager of capital management department of China National Service Corporation for Chinese Personnel Working Abroad (中國出國人員服務總公司). From January 2007 to March 2008, he served as vice president of The National Trust Ltd. (國民信託有限公司). Since May 2008, Mr. Lin has worked at Xi'an International Trust & Investment Co., Ltd (西安國際信託投資有限公司)("XITIC").

Independent non-executive Directors

Professor Gong Shuxi (龔書喜教授), aged 52, 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 46, 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 36, 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 70, 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.

Professor Shi Ping (師萍教授), aged 60, 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. Bai Fubo (白伏波), aged 52, possesses the qualification of engineer. In 1981 to 1985, he served consecutively as office secretary and deputy office supervisor of Xi'an Sewing Machine Factory (西安縫紉機廠). In October 1985 to February 1994, he served as deputy supervisor of technology department of Xi'an First Bureau of the Light Industry (西安市第一輕工業局). Since March 1994, he worked in XITIC and served consecutively as office secretary, deputy supervisor of sales department and manager of trust department. Mr. Bai currently serves as deputy general manager of sales department of XITIC.

Ms. Chen Hua (陳華), aged 46, graduated from Shaanxi Radio and TV University (陝西廣播電視大學) in 1987. In 1990 to 1991, she completed a self-study bachelor degree in business accounting in Xi'an University of Finance and Economics (西安財經學院). In 1992 to 1996, she worked in Shaanxi Wenbo Advertising Co., Ltd. (陝西文博廣告公司) as accountant. In 1996 to 1999, she served as finance supervisor of Guangdong Aoxiang Industrial Co., Ltd. (廣東翺翔實業有限公司). In 1999 to 2003, she served as finance manager of Xi'an Yixin Industrial Co., Ltd. (西安怡欣實業有限公司). In 2003 to 2006, she served as chief finance officer of Shaanxi Tianditong Communication Development Co., Ltd. (陝西天地通通信發展有限公司). Since August 2006, Ms. Chen has served as deputy general manager and chief finance officer of Xi'an Haitian Communication System Engineering Co., Ltd. (西安海天通信系統工程有限公司).

Mr. Xu Hao (徐浩), aged 38, graduated from Shaanxi Financial Technological College (陝西財政專科學校) with a major in finance and possesses the qualification of accountant. In 1994 to 2000, he worked in the finance division of Xi'an State-owned Tractor factory (國營西安拖拉機製造廠). In January 2001 to September 2003, he served as finance supervisor of Xi'an Tianhao Plastic Steel Product Limited Liability Company (西安添好塑鋼製品有限責任公司). In October 2003 to February 2005, he served as project manager of Xi'an Pengguang Tax Agent & Bureau Co., Ltd. (西安鵬光稅務師稅務所有限責任公司). Since March 2005, Mr. Xu has worked in the finance department of the Company.

SENIOR MANAGEMENT

Mr. Pan Zhiqing (潘志青先生), aged 47, 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.

Mr. Wang Tianxiong (王天雄先生), aged 37, holds the membership of the Chinese Institute of Certified Public Accountants and the Certified Internal Auditors. He graduated from Renmin University of China (中國人民大學) in 1994 with bachelor degree in accountancy and obtained a master degree in business administration from Xian Jiaotong University (西安交通大學) in 2004. Mr. Wang worked for Bank of China Shaanxi Branch (中國銀行陝西省分行) for 10 years, then he joined to the Group since April 2004 as assistant finance manager. In 2009, Mr. Wang was appointed as finance controller of the Group.

COMPANY SECRETARY

Mr. Chan Pak Kin, Ken (陳伯健先生), aged 37, 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 2009, 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 2009 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 2009 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.

On behalf of the Supervisory Committee

Ms. Chen Hua
Chairman

Xi'an, the PRC
19 March 2010

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2009.

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 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 28 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2009.

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 2009 and 31 December 2008.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2009 is set out on page 70 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB7.3 million on plant and equipment and approximately RMB6.4 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 15 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)
Mr. Xiao Bing
Mr. Zuo Hong

Non-executive directors:

Mr. Luo Maosheng
Mr. Li Wenqi
Mr. Sun Wenguo
Mr. Cong Chunshui
Mr. Lin Deqiong

Independent non-executive directors:

Professor Gong Shuxi
Mr. Lei Huafeng
Mr. Qiang Wenyu

Supervisors:

Mr. Liu Yongqiang
Professor Shi Ping
Mr. Bai Fubo
Ms. Chen Hua
Mr. Xu Hao

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 2009, 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	180,000,000 *(Note 1)*	37.09%	27.82%
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation	180,000,000 *(Note 1)*	37.09%	27.82%
Mr. Zuo Hong (左宏)	Personal	Held by controlled corporation	75,064,706 *(Note 2)*	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 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.

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 2009 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 2009, 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 2009, 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%	27.82%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled Corporation	180,000,000 *(Note 1)*	37.09%	27.82%
西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited*, "Xi'an Kaiyuan")	Corporate	Beneficial owner	100,000,000	20.61%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706 *(Note 2)*	15.47%	11.60%
Mr. Zhang Yinghua (張英華)	Personal	Held by controlled corporation	75,064,706 *(Note 2)*	15.47%	11.60%
西安國際信託投資有限公司 (XITIC)	Corporate	Beneficial owner	70,151,471 *(Note 3)*	14.46%	10.84%

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
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled Corporation	70,151,471 *(Note 3)*	14.46%	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 3)*	14.46%	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 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 *(Note 1)*	11.14%	8.36%
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%	8.36%

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%	2.01%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 *(Note 2)*	6.50%	1.63%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 *(Note 2)*	5.44%	1.36%

* *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 2009, 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 TRANSACTION

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

Continuing connected transaction

On 6 July 2006 and on 10 August 2009, the Company, as a tenant, entered into lease agreements with 西安海天投資控股有限責任公司 (Xi'an Haitian Investment Holdings Limited) ("Haitian Investment"), as a 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) respectively, the Directors, and 5% by 方曦先生 (Mr. Fang Xi), the former financial controller of the Company. On 30 December 2009, Haitian Investment issued a notice to the Company in which it agreed to waive the rental of RMB3,938,899 for the year ended 31 December 2009.

The aforesaid continuing connected transaction has been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the continuing connected transaction set out above was 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 transaction:

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

(b) had been entered into in accordance with the terms of the relevant agreement governing such transaction; and

(c) had not exceeded the expected cap amount of RMB2,635,271 and RMB5,958,690 disclosed in the Company's announcements dated 6 July 2006 and 10 August 2009 respectively.

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 2009.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2009.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 9 to 12 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
19 March 2010

Independent Auditor's Report

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 28 to 69, which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow 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 the 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 judgment, 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 affairs of the Group as at 31 December 2009 and of the Group's loss 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
Practising Certificate Number: P04798

Hong Kong
19 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 RMB	2008 RMB
Turnover	7	**195,410,138**	152,020,094
Cost of sales		**(153,623,223)**	(93,153,927)
Gross profit		**41,786,915**	58,866,167
Other revenue	8	**12,790,652**	4,803,402
Distribution costs		**(20,168,784)**	(18,637,571)
Administrative expenses		**(49,994,540)**	(55,905,410)
Finance costs	9	**(10,208,293)**	(10,234,449)
Loss before tax		**(25,794,050)**	(21,107,861)
Income tax (expense) credit	10	**(725,868)**	60,735
Loss for the year and total comprehensive expenses for the year	12	**(26,519,918)**	(21,047,126)
Loss per share			
– Basic	13	**(4.10 cents)**	(3.25 cents)

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 RMB	2008 RMB
Non-current assets			
Property, plant and equipment	15	**121,319,148**	117,559,544
Prepaid lease payments	16	**827,939**	848,716
Goodwill	17	**4,836,763**	4,836,763
Intangible assets	18	**14,699,421**	17,497,033
Pledged bank deposits	20	**6,061,500**	9,110,756
		147,744,771	149,852,812
Current assets			
Inventories	21	**33,446,187**	29,859,534
Trade receivables	22	**135,776,849**	98,694,632
Prepaid lease payments	16	**20,777**	20,777
Other receivables and prepayments	23	**45,845,647**	38,919,946
Amount due from a director	24	**823,559**	609,314
Amounts due from related parties	25	**9,782,768**	2,946,822
Pledged bank deposits	20	**4,125,986**	2,316,475
Bank balances and cash	20	**16,121,734**	8,662,072
		245,943,507	182,029,572
Current liabilities			
Trade payables	26	**85,821,388**	66,656,762
Other payables and accrued charges		**39,430,383**	20,072,616
Dividend payables		**1,487,140**	1,487,140
Amounts due to directors	24	**1,835,670**	3,000,650
Tax liabilities		**1,008,690**	4,129,285
Bank and other borrowings	27	**58,000,000**	87,449,905
		187,583,271	182,796,358
Net current assets (liabilities)		**58,360,236**	(766,786)
Total assets less current liabilities		**206,105,007**	149,086,026
Non-current liabilities			
Bank and other borrowings	27	**79,600,000**	–
Deferred taxation	28	**600,000**	600,000
		80,200,000	600,000
Net assets		**125,905,007**	148,486,026
Capital and reserves attributable to owners of the Company			
Share capital	29	**64,705,882**	64,705,882
Reserves	30	**61,199,125**	83,780,144
Total equity		**125,905,007**	148,486,026

The consolidated financial statements on pages 28 to 69 were approved and authorised for issue by the board of directors on 19 March 2010 and are signed on its behalf by:

Professor Xiao Liangyong
Director

Mr. Xiao Bing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital *RMB*	Share premium *RMB*	Statutory surplus reserve *RMB* *(note 30(a))*	Other reserve *RMB* *(note 30(c))*	Retained profits (accumulated losses) *RMB*	Total *RMB*
At 1 January 2008	64,705,882	71,228,946	16,153,228	–	17,445,096	169,533,152
Loss for the year and total comprehensive expenses for the year	–	–	–	–	(21,047,126)	(21,047,126)
At 31 December 2008	64,705,882	71,228,946	16,153,228	–	(3,602,030)	148,486,026
Loss for the year and total comprehensive expenses for the year	–	–	–	–	(26,519,918)	(26,519,918)
Waiver of current accounts	–	–	–	3,938,899	–	3,938,899
At 31 December 2009	**64,705,882**	**71,228,946**	**16,153,228**	**3,938,899**	**(30,121,948)**	**125,905,007**

Consolidated Statement of Cash Flow

For the year ended 31 December 2009

	2009 *RMB*	2008 *RMB*
OPERATING ACTIVITIES		
Loss before tax	**(25,794,050)**	(21,107,861)
Adjustments for:		
Allowance for inventories	**6,734,535**	3,728,643
Amortisation of development costs	**6,747,645**	9,334,857
Amortisation of prepaid lease payments	**20,777**	20,777
Amortisation of technological know-how	**1,000,000**	1,000,000
Depreciation of property, plant and equipment	**9,783,532**	10,926,720
Finance costs	**10,208,293**	10,234,449
Impairment loss recognised in respect of intangible assets	**–**	5,659,730
Impairment loss (reversed) recognised in respect of trade receivables	**(1,510,920)**	960,815
Impairment loss recognised in respect of other receivables	**8,349,527**	6,025,680
Interest income	**(71,943)**	(100,520)
(Gain) loss on disposal of property, plant and equipment	**(12,054)**	419,729
Waiver of long outstanding trade payables	**(852,926)**	–
Operating cash flows before changes in working capital	**14,602,416**	27,103,019
(Increase) decrease in inventories	**(10,321,188)**	983,503
Increase in trade receivables	**(35,571,297)**	(6,142,579)
(Increase) decrease in other receivables and prepayments	**(15,275,228)**	14,552,091
Increase in trade payables	**20,017,552**	3,388,033
Increase in other payables and accrued charges	**19,357,767**	3,039,076
Cash (used in) from operations	**(7,189,978)**	42,923,143
Income tax paid	**(3,846,463)**	(173,676)
Income tax refunded	**–**	256,278
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(11,036,441)**	43,005,745

Consolidated Statement of Cash Flow

For the year ended 31 December 2009

	2009 *RMB*	2008 *RMB*
INVESTING ACTIVITIES		
Payment for construction cost on properties under construction and purchase of property, plant and equipment	**(13,406,206)**	(10,019,206)
Expenditure on product development	**(4,950,033)**	(5,903,046)
(Advance to) repayment from related parties	**(2,897,047)**	172,063
(Advance to) repayment from directors	**(214,245)**	55,496
Decrease (increase) in pledged bank deposits	**1,239,745**	(8,188,898)
Proceeds from disposal of property, plant and equipment	**155,199**	9,050
Interest received	**71,943**	100,520
NET CASH USED IN INVESTING ACTIVITIES	**(20,000,644)**	(23,774,021)
FINANCING ACTIVITIES		
Repayment of loans	**(248,243,231)**	(133,516,406)
Interest paid	**(10,488,368)**	(10,648,173)
(Repayment to) advance from directors	**(1,164,980)**	303,055
New loans raised	**298,393,326**	127,586,311
Dividend paid to the owners of the Company	**–**	(500,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**38,496,747**	(16,775,213)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,459,662**	2,456,511
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,662,072**	6,205,561
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**16,121,734**	8,662,072

Notes to the Consolidated Financial Statements

1. ORGANISATION AND OPERATIONS

Xi'an Haitian Antenna 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 37.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investments in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedge Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

In addition, as part of *Improvements to HKFRSs(2009)*, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipated that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. 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 values, as explained in the accounting policies set out below.

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

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.

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.

Business combinations

The acquisition of a business 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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.

Transactions with related companies under common owners of the Company

The Group applies a policy of treating transactions with related companies under common owners of the Company as transactions with owners of the Company. The gain derived from the waiver of amount due to those related companies are recorded in equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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 on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Properties under construction includes property, plant and equipment in the course of construction for production or for its own use purposes. Properties under construction is carried at cost less any recognised impairment loss. Properties under construction is 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 profit or loss in the period in which the item is derecognised.

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 and accumulated impairment losses. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Club membership

Club membership is stated at cost less impairment losses.

Leasing

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

Operating lease payments are recognised as an expense 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary 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 retranslation 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Governments grants related to depreciable assets are recognised and included in other payables and accrued charges in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no further related costs are recogised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets, technological know-how, acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

Research and development expenditure

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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible assets so that it will be available for use or sale;

– the intention to complete the intangible assets and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 listed above. 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 measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 or 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. 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 affected.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade 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 days 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other 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 receivable or other receivable 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.

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 through 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, amounts due to directors and bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 in other comprehensive income 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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested 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 an 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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgement, 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 judgement in applying the entity's accounting policies

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

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in Note 15, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Group.

Key sources of estimation uncertainty

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

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 2009 and 2008, the carrying amount of goodwill were RMB4,836,763 (net of accumulated impairment loss of RMB179,741). Details of the recoverable amount calculation are disclosed in Note 19.

Estimated impairment of intangible assets

The management reviews the intangible assets at the end of each reporting period, and determines whether there is any indication that those intangible assets have suffered an impairment loss. If there is an indication that they may be impaired, the management estimates the recoverable amount based on the current market condition and on management's judgement.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Depreciation

The Group's net carrying values of property, plant and equipment as at 31 December 2009 was approximately RMB121,319,148 (2008: RMB117,559,544). 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 intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimate impairment loss of trade receivables and other receivables

The policy for making impairment loss on trade receivables and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 December 2009, the carrying amount of the trade receivables was RMB135,776,849 (2008: RMB98,694,632), net of allowance for doubtful debts of RMB15,358,797 (2008: RMB16,869,717). While the carrying amount of other receivables and prepayments are RMB45,845,647 (2008: RMB38,919,946), net of allowance for doubtful debts of RMB14,375,207 (2008: RMB6,025,680).

Allowances for inventories

The management of the Group reviews an aging analysis at the end of each reporting period, 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 the end of each reporting period and makes allowance for obsolete items.

5. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debts, which included the bank and other borrowings as disclosed in Note 27, cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

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.

6. FINANCIAL INSTRUMENTS

6(a) Categories of financial instruments

	2009 RMB	2008 RMB
Financial assets		
Loan and receivables (including cash and cash equivalents)	**187,734,396**	144,494,825
Financial liabilities		
Other financial liabilities measured at amortised cost	**266,174,581**	178,667,073

6(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from directors/related parties, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges, amounts due to directors, 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 interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

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. The Group's exposure to currency risk is minimal as the foreign currencies balances are insignificant.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group's exposure to cash flow interest rate risk is minimal as most of the bank borrowings are a fixed interest rate (see Note 27 for details of these bank and other borrowings).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see Note 20 for details). The Group's exposure to interest rate risk is minimal as the pledged bank deposits and bank balances have a short maturity period.

The Group currently does not have any interest rate hedging policy.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 December 2009, 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 statement of financial position.

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 the end of each reporting period 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 credit risk on liquid fund is limited because the counterparties are bank with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 26% (2008: 36%) and 84% (2008: 72%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2008: 91%) of the total trade receivables as at 31 December 2009.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalent 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 borrowing. The Group has no covenants with banks for the banking facilities granted.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 31 December 2009

	On demand or within one year *RMB*	More than one year less than two years *RMB*	Total undiscounted cash flows *RMB*	Carrying amount at 31 December 2009 *RMB*
Financial liabilities				
Trade payables	85,821,388	–	85,821,388	85,821,388
Other payables and accrued charges	39,430,383	–	39,430,383	39,430,383
Dividend payables	1,487,140	–	1,487,140	1,487,140
Amounts due to directors	1,835,670	–	1,835,670	1,835,670
Bank and other borrowings	64,278,623	82,076,194	146,354,817	137,600,000
	192,853,204	82,076,194	274,929,398	266,174,581

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

At 31 December 2008

	On demand or within one year *RMB*	Total undiscounted cash flows *RMB*	Carrying amount at 31 December 2008 *RMB*
Financial liabilities			
Trade payables	66,656,762	66,656,762	66,656,762
Other payables and accrued charges	20,072,616	20,072,616	20,072,616
Dividend payables	1,487,140	1,487,140	1,487,140
Amounts due to directors	3,000,650	3,000,650	3,000,650
Bank and other borrowings	91,234,671	91,234,671	87,449,905
	182,451,839	182,451,839	178,667,073

6(c) Fair value

The fair value of bank and other borrowings are estimated as the present value of future cash flows, discounted at current market interest rates that is available to the Group for similar financial instruments.

The directors of the Company consider that the fair values of other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to the corresponding carrying amounts due to their short-term maturities.

7. TURNOVER AND SEGMENT INFORMATION

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 and services provided in the normal course of business, net of discounts and sales related taxes.

	2009 ***RMB***	2008 *RMB*
Turnover		
Sales of antennas and related products	**154,806,407**	142,627,852
Service income	**40,603,731**	9,392,242
	195,410,138	152,020,094

7. TURNOVER AND SEGMENT INFORMATION *(continued)*

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segment using a risk and return approach. In the past, the Group's primary reporting format was business segments. The application of HKRFS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is organised into a single operating segment as sale of telecommunication products and rendering of related services. Accordingly, no reportable segment is provided.

Geographical information

The Group's operations are located in the PRC, Asia excluding PRC and other countries.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 December		Non-current assets As at 31 December	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
PRC (country of domicile)	**191,807,494**	79,493,968	**147,744,771**	149,852,812
Asia excluding PRC	**3,526,523**	70,170,272	**–**	–
Others	**76,121**	2,355,854	**–**	–
	195,410,138	152,020,094	**147,744,771**	149,852,812

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December	
	2009	2008
	RMB	*RMB*
Customer A	**101,542,593**	16,204,345
Customer B	**N/A**	34,955,178
Customer C	**N/A**	35,166,207
Customer D	**N/A**	31,345,600

All revenue generated from the major customers relate to the sale of telecommunication products and related services. Customer B, C and D have not contributed over 10% of the total sales of the Group during the year ended 31 December 2009.

8. OTHER REVENUE

	2009 RMB	2008 RMB
Government grants *(Note 35)*	**9,454,842**	3,753,603
Impairment loss reversed in respect of trade receivables *(Note 22)*	**1,510,920**	–
Waiver of long outstanding trade payables	**852,926**	–
Interest income	**71,943**	100,520
Net foreign exchange gain	**65,921**	–
Gain on disposal of property, plant and equipment	**12,054**	–
Others	**822,046**	949,279
	12,790,652	4,803,402

9. FINANCE COSTS

	2009 RMB	2008 RMB
Interests on bank and other borrowings wholly repayable within five years	**10,488,368**	10,648,173
Less: amount capitalised	**(280,075)**	(413,724)
	10,208,293	10,234,449

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.14% (2008: 10.16%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE (CREDIT)

	2009 RMB	2008 RMB
Current tax		
PRC Enterprise Income Tax	**725,868**	7,593
Overprovision in prior years	**–**	(68,328)
	725,868	(60,735)

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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

10. INCOME TAX EXPENSE (CREDIT) *(continued)*

Currently, the Company and certain of its subsidiaries established in the PRC are approved by the Xi'an Municipal Bureau of Science and Technology as high technology enterprises located in the Xi'an National High-tech Industrial Development Zone, which are subject to EIT at the rate of 15%. Furthermore, 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.

During the year ended 31 December 2009, income tax expenses of the Company and its subsidiaries are charged on the estimated assessable profits at the appropriate current rates of taxation ruling in the PRC. For the year ended 31 December 2008, the balance represents overprovision for EIT of certain subsidiaries in prior years and provision for EIT on the estimated assessable profit of certain subsidiaries for the year.

The tax expense (credit) for the year ended 31 December 2009 and 2008 can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2009 ***RMB***	2008 *RMB*
Loss before tax	**(25,794,050)**	(21,107,861)
Tax at the domestic income tax rate of 25% (2008: 25%)	**(6,448,512)**	(5,276,965)
Tax effect of expenses not deductible for tax purpose	**292,685**	341,366
Tax effect of income not taxable for tax purpose	**–**	(17,548)
Tax effect on tax losses not recognised	**4,082,355**	1,620,017
Overprovision in prior years	**–**	(68,328)
Tax effect of deductible temporary differences not recognised	**3,028,880**	4,686,237
Utilisation of unused tax losses	**(229,540)**	(1,345,514)
Income tax expense (credit)	**725,868**	(60,735)

Details of the deferred tax liabilities are set out in Note 28.

11. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

12. LOSS FOR THE YEAR

	2009 RMB	2008 RMB
Loss for the year is arrived at after charging:		
Depreciation for property, plant and equipment	**9,783,532**	10,926,720
Amortisation of development costs	**6,747,645**	9,334,857
Amortisation of technological know-how	**1,000,000**	1,000,000
Amortisation of prepaid lease payments	**20,777**	20,777
Total depreciation and amortisation	**17,551,954**	21,282,354
Auditors' remuneration		
– audit services	**420,000**	420,000
– other services	**20,000**	20,000
Cost of inventories recognised as expenses	**120,800,918**	86,834,816
Staff costs		
– Directors' and supervisors' remuneration *(Note 14)*	**1,685,781**	1,602,600
– Salaries, wages and other benefits	**25,062,382**	20,379,301
– Retirement benefit scheme contributions (excluding directors and supervisors)	**1,426,289**	742,299
Total staff costs	**28,174,452**	22,724,200
Loss on disposal of property, plant and equipment	**–**	419,729
Allowance for inventories (included in cost of sales)	**6,734,535**	3,728,643
Impairment losses recognised in respect of intangible assets (included in administrative expenses) *(Note 18)*	**–**	5,659,730
Impairment loss recognised in respect of trade receivables (included in administrative expenses) *(Note 22)*	**–**	960,815
Impairment loss recognised in respect of other receivables (included in administrative expenses) *(Note 23)*	**8,349,527**	6,025,680
Net foreign exchange losses	**–**	1,364,419
Minimum lease payments under operating leases	**4,085,851**	2,881,071
Research and development costs	**2,981,634**	3,618,504

13. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year attributable to owners of the Company of RMB26,519,918 (2008: RMB21,047,126) and the weighted average of 647,058,824 (2008: 647,058,824) ordinary shares in issue during the year.

No diluted loss per share has been presented for the two years ended 31 December 2009 and 2008 as there were no diluting events existed during those years.

14. DIRECTORS' AND SUPERVISORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES

Directors' remunerations

The emoluments paid or payable to each of the eleven (2008: thirteen) directors were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Executive directors								
Xiao Bing	**–**	–	**421,061**	402,666	**15,233**	11,080	**436,294**	413,746
Professor Xiao Liangyong ("Professor Xiao")	**–**	–	**676,585**	673,680	**–**	–	**676,585**	673,680
Zuo Hong	**–**	–	**225,871**	214,252	**12,744**	2,124	**238,615**	216,376
Non-executive directors								
Cong Chunshui (appointed on 19 November 2008)	**–**	–	**6,000**	1,000	**–**	–	**6,000**	1,000
Lin Deqiong (appointed on 19 November 2008)	**–**	–	**6,000**	1,000	**–**	–	**6,000**	1,000
Li Wenqi	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Sun Wenguo	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Luo Maosheng	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Wang Jing (resigned on 19 November 2008)	**–**	–	**–**	5,000	**–**	–	**–**	5,000
Xing Changling (resigned on 19 November 2008)	**–**	–	**–**	5,000	**–**	–	**–**	5,000
Independent non-executive directors								
Professor Gong Shuxi	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Qiang Wenyu	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Lei Huafeng	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Total	**–**	–	**1,461,517**	1,428,598	**27,977**	13,204	**1,489,494**	1,441,802

14. DIRECTORS' AND SUPERVISORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remunerations *(continued)*

The emoluments paid or payable to each of the five (2008: eight) supervisors were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Supervisors								
Professor Shi Ping	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Bai Fubo								
(appointed on 3 June 2008)	**–**	–	**6,000**	3,500	**–**	–	**6,000**	3,500
Chen Hua								
(appointed on 3 June 2008)	**–**	–	**63,348**	36,827	**4,320**	2,520	**67,668**	39,347
Xu Hao								
(appointed on 3 June 2008)	**–**	–	**50,619**	24,450	**–**	–	**50,619**	24,450
Liu Yongqiang	**–**	–	**36,000**	36,000	**–**	–	**36,000**	36,000
Mei Jie								
(resigned on 3 June 2008)	**–**	–	**–**	18,355	**–**	646	**–**	19,001
Yang Jun								
(resigned on 3 June 2008)	**–**	–	**–**	2,500	**–**	–	**–**	2,500
Sun Guilian								
(resigned on 3 June 2008)	**–**	–	**–**	–	**–**	–	**–**	–
Total	**–**	–	**191,967**	157,632	**4,320**	3,166	**196,287**	160,798

None of the directors or supervisors of the Company waived or agreed to waive any emoluments paid by the Group and no emoluments have been paid by the Group to the directors or supervisors 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 2009 and 2008.

14. DIRECTORS' AND SUPERVISORS' REMUNERATIONS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2008: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2008: three) highest paid individuals were as follows:

	2009 **RMB**	2008 RMB
Salaries and other benefits	**443,177**	782,423
Retirement benefit scheme contributions	**15,233**	15,880
	458,410	798,303

The emoluments of the two (2008: three) highest paid employees fall in the following bands:

	2009 Number of employees	2008 Number of employees
Nil to RMB1,000,000	**2**	3

No emoluments have been paid by the Group to 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 2009 and 2008.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB*	Plant and machinery *RMB*	Furniture, fixtures and equipment *RMB*	Motor vehicles *RMB*	Properties under construction *RMB*	Total *RMB*
Cost						
At 1 January 2008	91,209,725	49,261,993	12,604,797	4,602,935	357,585	158,037,035
Additions	62,576	4,663,754	508,605	37,765	5,160,230	10,432,930
Transfer	5,464,078	51,137	–	–	(5,515,215)	–
Disposals	–	(2,091,503)	(1,064,755)	(37,765)	–	(3,194,023)
At 31 December 2008	96,736,379	51,885,381	12,048,647	4,602,935	2,600	165,275,942
At 1 January 2009	96,736,379	51,885,381	12,048,647	4,602,935	2,600	165,275,942
Additions	–	6,936,405	344,583	43,079	6,362,214	13,686,281
Transfer	–	60,690	–	–	(60,690)	–
Disposals	–	(255,732)	(62,064)	(525,636)	–	(843,432)
At 31 December 2009	96,736,379	58,626,744	12,331,166	4,120,378	6,304,124	178,118,791
Accumulated depreciation and impairment						
At 1 January 2008	4,164,352	23,365,273	9,401,157	2,624,140	–	39,554,922
Charge for the year	3,446,421	5,644,674	1,311,985	523,640	–	10,926,720
Eliminated on disposals	–	(1,785,865)	(976,762)	(2,617)	–	(2,765,244)
At 31 December 2008	7,610,773	27,224,082	9,736,380	3,145,163	–	47,716,398
At 1 January 2009	7,610,773	27,224,082	9,736,380	3,145,163	–	47,716,398
Charge for the year	3,293,343	5,334,995	709,099	446,095	–	9,783,532
Eliminated on disposals	–	(240,909)	(58,608)	(400,770)	–	(700,287)
At 31 December 2009	10,904,116	32,318,168	10,386,871	3,190,488	–	56,799,643
Net carrying values						
At 31 December 2009	85,832,263	26,308,576	1,944,295	929,890	6,304,124	121,319,148
At 31 December 2008	89,125,606	24,661,299	2,312,267	1,457,772	2,600	117,559,544

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

– Buildings	Over the shorter of unexpired term of lease, or 50 years
– Plant and machinery	3 – 10 years
– Furniture, fixtures and equipment	5 years
– Motor vehicles	8 years

The buildings are situated on land held under medium-term land use right in the PRC, and the carrying values of RMB23,063,481 (2008: RMB23,905,725) have been pledged to the banks to secure the Group's bank borrowings.

As at 31 December 2009, the Group has not obtained the formal ownership certificates for certain properties including in the buildings above, the carrying values of which at the date was RMB62,018,446 (2008: RMB64,055,209). In the opinion of the directors, the absence of formal title to these properties does not impair their values to the Group as the Group has paid the full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

16. PREPAID LEASE PAYMENTS

	RMB
Cost	
At 1 January 2008, 31 December 2008 and 31 December 2009	1,018,474
Amortisation	
At 1 January 2008	128,204
Provided for the year	20,777
At 31 December 2008 and 1 January 2009	148,981
Provided for the year	20,777
At 31 December 2009	169,758
Net carrying values	
At 31 December 2009	848,716
At 31 December 2008	869,493

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

16. PREPAID LEASE PAYMENTS *(continued)*

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

	2009	2008
	RMB	*RMB*
Analysed for reporting purpose as:		
– current assets	**20,777**	20,777
– non-current assets	**827,939**	848,716
	848,716	869,493

As at 31 December 2009, prepaid lease payments with carrying value of RMB848,716 (2008: RMB869,493) has been pledged to the banks to secure the Group's bank borrowings.

17. GOODWILL

	2009	2008
	RMB	*RMB*
Cost		
At 1 January and 31 December	**5,016,504**	5,016,504
Impairment		
At 1 January and 31 December	**179,741**	179,741
Net carrying value		
At 31 December	**4,836,763**	4,836,763

Particulars regarding impairment testing on goodwill are disclosed in Note 19.

18. INTANGIBLE ASSETS

	Development costs *RMB* *(Note a)*	Technological know-how *RMB* *(Note b)*	Total *RMB*
Cost			
At 1 January 2008	46,076,269	10,000,000	56,076,269
Additions through internal development	5,903,046	–	5,903,046
At 31 December 2008	51,979,315	10,000,000	61,979,315
At 1 January 2009	51,979,315	10,000,000	61,979,315
Additions through internal development	4,950,033	–	4,950,033
At 31 December 2009	56,929,348	10,000,000	66,929,348
Accumulated amortisation and impairment			
At 1 January 2008	21,154,362	7,333,333	28,487,695
Provided for the year	9,334,857	1,000,000	10,334,857
Impairment loss recognised in the year	5,659,730	–	5,659,730
At 31 December 2008	36,148,949	8,333,333	44,482,282
At 1 January 2009	36,148,949	8,333,333	44,482,282
Provided for the year	6,747,645	1,000,000	7,747,645
At 31 December 2009	42,896,594	9,333,333	52,229,927
Net carrying values			
At 31 December 2009	14,032,754	666,667	14,699,421
At 31 December 2008	15,830,366	1,666,667	17,497,033

During the year ended 31 December 2008, the Group recognised an impairment loss of RMB5,659,730 in relation to certain development costs as the directors of the Company considered that those development costs are unlikely to have any future value in use (2009: Nil).

18. INTANGIBLE ASSETS *(continued)*

Notes:

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

(b) As at 31 December 2009 and 2008, 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, founder and director 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	10 years

19. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill in Note 17 was derived from the acquisition of the additional equity interests in 嘉載通信設備有限公司 ("Jia Zai") and Xian Hi-tech Communication Software Co., Ltd. ("Xian Hi-tech"), respectively. The carrying amount of goodwill as at 31 December 2009 allocated to Jia Zai is as follows:

	Goodwill	
	2009	2008
	RMB	*RMB*
Xian Hi-tech	**–**	–
Jia Zai	**4,836,763**	4,836,763

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

During the year ended 31 December 2009, the recoverable amounts of the goodwill from the acquisition of Jia Zai have been determined on the basis of value in use calculations, which use cash flow projections based on financial budgets approved by management covering a 11-year period (2008: 12-year period) which represents the remaining operating period of Jia Zai, and a discount rate of 12% (2008: 12%). Jia Zai's cash flows beyond 5-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.

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits represented the bank deposits pledged to the banks to secure the quality of the products sold to certain customers. Included in amount of RMB6,061,500 (2008: RMB9,110,716) represents deposits placed by the Group which will be expired over one year from the end of reporting period and is therefore classified as non-current assets.

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

	2009	2008
Amounts denominated in:		
RMB	**25,073,492**	18,920,004

Bank balances and pledged bank deposits amounted to RMB26,017,875 (2008: RMB19,997,075) carry interest at prevailing market rate for both years.

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

	2009	2008
United Stated Dollar ("USD")	**180,755**	170,096
Hong Kong Dollar	**4,187**	7,665

21. INVENTORIES

	2009 ***RMB***	2008 *RMB*
Raw materials	**12,457,102**	10,861,405
Work in progress	**13,591,452**	11,775,199
Finished goods	**22,969,165**	16,059,927
	49,017,719	38,696,531
Less: allowance for inventories	**(15,571,532)**	(8,836,997)
	33,446,187	29,859,534

22. TRADE RECEIVABLES

	2009	2008
	RMB	*RMB*
Trade receivables	**151,135,646**	115,564,349
Less: impairment loss recognised	**(15,358,797)**	(16,869,717)
	135,776,849	98,694,632

The following is an aged analysis of trade receivables net of impairment loss recognised at the end of each reporting period:

	2009	2008
	RMB	*RMB*
0 – 60 days	**74,073,924**	29,599,632
61 – 120 days	**34,225,264**	8,726,388
121 – 180 days	**2,800,780**	9,325,879
181 – 240 days	**1,489,269**	13,758,876
241 – 365 days	**1,043,321**	1,670,249
Over 365 days	**22,144,291**	35,613,608
	135,776,849	98,694,632

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 the end of each reporting period, 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 loss was recognised. The movement in the impairment of trade receivables is as follows:

	2009	2008
	RMB	*RMB*
At 1 January	**16,869,717**	15,908,902
Reversal of impairment loss recognised in previous years	**(1,510,920)**	–
Impairment loss recognised on receivables	**–**	960,815
At 31 December	**15,358,797**	16,869,717

22. TRADE RECEIVABLES *(continued)*

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

	2009 **RMB**	2008 RMB
241 – 365 days	**1,043,321**	1,670,249
1 to 2 years	**11,908,334**	24,652,902
Over 2 years	**10,235,957**	10,960,706
Total	**23,187,612**	37,283,857

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 does not hold any collateral over these balances.

Receivables of RMB112,589,237 (2008: RMB61,410,775) that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

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:

	2009	2008
USD	**276,027**	1,247,247

None of the trade receivables was pledged to the banks to secure the Group's bank borrowings as at 31 December 2009 (2008: RMB4,449,905).

23. OTHER RECEIVABLES AND PREPAYMENT

Included in other receivables and prepayment is an amount of RMB15,105,480 (2008: RMB11,197,969) in respect of advances to employees. The advances are interest-free, unsecured and repayable on demand.

At the end of each reporting period, the Group's other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on credit history of its debtors and current business relationship. The Group does not hold any collateral over these balances. The movement in the impairment of other receivables is as follows:

	2009 **RMB**	2008 RMB
At 1 January	**6,025,680**	–
Impairment loss recognised on receivables	**8,349,527**	6,025,680
At 31 December	**14,375,207**	6,025,680

24. AMOUNTS DUE FROM (TO) DIRECTORS

	Balance at 31 December 2009 *RMB*	Balance at 1 January 2009 *RMB*	Maximum amount outstanding during the year *RMB*
Due from:			
Xiao Bing	823,559	609,314	823,559
Due to:			
Professor Xiao	(1,833,206)	(2,717,650)	
Zuo Hong	(2,464)	(283,000)	
	(1,835,670)	(3,000,650)	

Professor Xiao, Mr. Zuo Hong and Mr. Xiao Bing are the executive directors of the Company.

The amounts represent loans advance to the directors or advances to the Group for business use. The amounts are unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE FROM RELATED PARTIES

Name of related parties	Relationship	*Notes*	Balance at 31 December 2009 *RMB*	Balance at 1 January 2009 *RMB*	Maximum amount outstanding during the year *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*	312,804	346,929	346,929
西安海天投資控股有限責任公司 (「海天投資」)	Common director and shareholder	*i & iii*	9,469,964	2,229,375	9,469,964
Fang Xi	Former financial controller	*i & iv*	–	370,518	370,518
			9,782,768	2,946,822	

Notes:

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

(ii) As at 31 December 2008, the amount included receivable arising from sales of goods of RMB49,651 to 海通天綫 (2009: Nil).

(iii) As at 31 December 2009, the amount included prepaid rental of RMB3,724,181 (2008: RMB1,207,833). 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 so as to 5% by Mr. Fang Xi, the former financial controller of the Company.

(iv) Mr. Fang Xi resigned as the financial controller of the Company on 6 November 2009.

26. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2009 RMB	2008 RMB
0 – 60 days	**35,252,417**	27,848,330
61 – 120 days	**13,008,978**	1,058,912
121 – 365 days	**22,024,348**	14,122,627
Over 365 days	**15,535,645**	23,626,893
	85,821,388	66,656,762

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

27. BANK AND OTHER BORROWINGS

	2009 RMB	2008 RMB
Bank borrowings	**133,600,000**	80,449,905
Other borrowings	**4,000,000**	7,000,000
	137,600,000	87,449,905
Analysed as:		
Secured	**117,600,000**	19,449,905
Unsecured	**20,000,000**	68,000,000
	137,600,000	87,449,905
Carrying amount repayable:		
On demand or within one year	**58,000,000**	87,449,905
More than one year, but not exceeding two years	**79,600,000**	–
	137,600,000	87,449,905
Less: Amounts due within one year shown under current liabilities	**(58,000,000)**	(87,449,905)
	79,600,000	–

At 31 December 2009, the bank borrowings born fixed-rate interest ranging from 5.58% to 7.97% (2008: 6.12% to 11.21%) per annum.

At 31 December 2009, other borrowings born fixed-rate interest at 15% (2008: ranged from 13% to 15%) per annum and are repayable on demand.

27. 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 values of the assets are as follows:

	2009	2008
	RMB	*RMB*
Buildings	**23,063,481**	23,905,725
Prepaid lease payments	**848,716**	869,493
Trade receivables	**–**	4,449,905
	23,912,197	29,225,123

Certain bank and other borrowings are secured by the assets of related parties and/or guaranteed by related parties. Details regarding to the related parties transactions are disclosed in Note 33.

The Group's bank and other borrowings that are denominated in currency other than the functional currency of the Group are set out below:

	2009	2008
USD	**–**	652,450

28. DEFERRED TAXATION

The amount represented deferred tax liability at the end of the reporting period in relation to deferred development costs.

As at 31 December 2009, the Group has unused tax losses of approximately RMB50,602,163 (2008: RMB35,190,903) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for 5 years from the year in which the respective loss arose.

As at 31 December 2009, the Group also had deductible temporary differences of RMB36,112,042 (2008: RMB23,996,522). No deferred tax asset has been recognised in relation to above deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

29. SHARE CAPITAL

	Number of shares		**Registered, issued and fully paid**
Share of RMB0.10 each	**Domestic shares**	**H shares**	*RMB*
At 31 December 2008 and 2009	485,294,118	161,764,706	64,705,882

30. 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) 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 PRC, the Company does not have any reserves available for distribution to its owners as at 31 December 2009 and 31 December 2008.

(c) Other Reserve

海天投資, a related company of the Company under common shareholders, agreed to waive the rental paid by the Company of RMB3,938,899 for the year ended 31 December 2009. Such waiver is deemed to be a transaction with owners of the Company and therefore recorded in other reserve.

31. OPERATING LEASE COMMITMENTS

At 31 December 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 ***RMB***	2008 *RMB*
Within one year	**5,984,898**	1,478,572
In the second to fifth year, inclusive	**8,689,750**	–
	14,674,648	1,478,572

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.

32. CAPITAL COMMITMENTS

	2009 ***RMB***	2008 *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	**3,897,816**	1,019,333

33. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties are set out in the consolidated statement of financial position and Notes 24 and 25 respectively.

(b) During the year ended 31 December 2009, the Group paid rental for the lease of land of RMB3,938,899 (2008: RMB2,635,271) to 海天投資. On 30 December 2009, 海天投資 issued a notice to the Company in which it agreed to waive the rental paid by the Company for the year ended 31 December 2009.

The details were outlined in the Company's announcements dated 6 July 2006 and 10 August 2009 respectively.

(c) During the year ended 31 December 2009, the Group did not sell any goods to 海通天綫 (2008: RMB199,596).

(d) During the year ended 31 December 2009, Mr. Xiao Bing, an executive director of the Company and Ms. Chen Jing, wife of Mr. Xiao Bing; Mr. Fang Xi, former financial controller of the Company and Ms. Zhang Dandan, wife of Mr. Fang Xi, and Professor Xiao provided personal guarantees to a third party. In return, the third party provided a guarantee to secure a bank borrowings amounting to RMB10,000,000 granted to the Group (2008: RMB10,000,000).

(e) During the year ended 31 December 2009, 海天投資 had pledged a plot of land to a bank to secure the bank borrowings amounting to RMB117,600,000 (2008: RMB44,000,000) granted to the Group. As at 31 December 2009, 海天投資 did not provide any corporate guarantee to the banks to secure any of the bank borrowings (2008: RMB7,000,000) granted to the Group.

(f) As at 31 December 2009, other borrowings amounted to RMB4,000,000 (2008: RMB5,000,000) and bank borrowings amounted to RMB6,000,000 (2008: RMB7,000,000) were secured by the properties of Professor Xiao, the executive director of the Company. In addition, Professor Xiao also provided a personal guarantee to a bank to secure bank borrowings of RMB123,600,000 (2008: Nil) granted to the Group.

(g) During the year ended 31 December 2009, Mr. Xiao Bing, an executive director of the Company, provided a personal guarantee to secure the bank borrowings amounting to RMB123,600,000 (2008: RMB4,449,905). As at 31 December 2008, Mr. Xiao Bing also provided a personal guarantee to secure an other borrowing amounting to RMB2,000,000 (2009: Nil).

(h) Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in Note 14. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. 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 2009 and 2008, the Group had no significant obligation apart from the contribution as stated above.

35. GOVERNMENT GRANTS

The Group has received the following government grants during the two years ended 31 December 2009 and 2008:

(a) For the construction and upgrading the existing production capacity of property, plant and equipment and encouraging the export sales

The Group has received additional subsidies during the year and has recognised partial of the subsidies amounted to RMB458,449 as other revenue in 2009 (2008: RMB1,067,340). The remaining unused subsidies of RMB287,202 is then included in other payables and accrued charges as at 31 December 2009 (2008: RMB437,740).

(b) For the research and development and industrialisation of antenna for the TD-SCDMA mobile communication

The Group received an additional subsidy during the year and has recognised the entire subsidies amounted to RMB1,000,000 as other revenue in 2009 (2008: RMB1,662,769). There is no remaining unused subsidy recorded in other payables and accrued charges as at 31 December 2009.

(c) For the technology improvement of base station antenna

The Group received a subsidy of RMB8,000,000 in 2005 for technology improvement of base station antenna. During the year ended 31 December 2009, an amount of RMB1,023,493 has been released to other revenue over the useful lives of the relevant property, plant and equipment (2008: RMB1,023,494) while the remaining unused subsidies of RMB473,339 is then included in other payables and accrued charges at 31 December 2009 (2008:RMB1,496,832).

The Group received additional subsidies during the year and has recognised partial of the subsidies amounted to RMB4,924,600 as other revenue in 2009 (2008: Nil) while the remaining unused subsidies of RMB924,000 is then included in other payables and accrued charges at 31 December 2009 (2008: Nil).

(d) Other

Further to the above, the Group received subsidies during the year for general subsidising from government. The Group utilised the entire subsidies and recognised RMB2,048,300 as other revenue in 2009 (2008: Nil).

36. MAJOR NON-CASH TRANSACTION

On 30 December 2009, 海天投資 agreed to waive the rental paid by the Company of RMB3,938,899 for the year ended 31 December 2009. Such waiver is deemed to be a transaction with owners of the Company and therefore recorded as an other reserve.

37. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
XAHT Hong Kong	Hong Kong	Ordinary shares HK$1,500,000	100%	Trading of base station antennas and related products
Xian Haitian Communication System Engineering Co. Ltd.*	PRC	Registered capital RMB5,000,000	100%	Design and installation of the antennas and related products
Xian Hi-tech*	PRC	Registered capital RMB1,500,000	100%	Development, manufacturing and trading of computer software and hardware
Jia Zai**	PRC	Registered capital RMB20,000,000	100%	Development and consulting services of TD-SCDMA

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

None of the subsidiaries had issued any debt securities at 31 December 2009 and 2008.

All subsidiaries within the Group are directly held by the Company as at 31 December 2009 and 2008.

Financial Summary

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
		(Restated)			
RESULTS					
Turnover	176,889,046	117,119,020	135,011,375	152,020,094	**195,410,138**
Profit (loss) before tax	16,004,066	(75,052,377)	886,978	(21,107,861)	**(25,794,050)**
Income tax (expense) credit	(611,391)	268,451	21,867	60,735	**(725,868)**
Profit (loss) for the year and total comprehensive income (expenses) for the year	15,392,675	(74,783,926)	908,845	(21,047,126)	**(26,519,918)**

	As at 31 December				
	2005	2006	2007	2008	**2009**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
		(Restated)			
ASSETS AND LIABILITIES					
Total assets	469,291,553	469,823,149	352,607,574	331,882,384	**393,688,278**
Total liabilities	(230,699,824)	(260,606,546)	(183,074,422)	(183,396,358)	**(267,783,271)**
Shareholders' funds	238,591,729	209,216,603	169,533,152	148,486,026	**125,905,007**