



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

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

2007

INTERIM REPORT

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

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This report, for which the directors (the “Directors”) of Xi'an Haitian Antenna Technologies Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.*

* For identification purpose only

HIGHLIGHTS

- During the six months ended 30 June 2007, unaudited gross profit amounted to approximately RMB20.7 million, gross profit margin was approximately 30.1%, represented a slight increase when compared to the gross profit margin of 27.3% for the corresponding period in the year 2006.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

INTERIM RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board (the "Board") of Directors hereby submits the unaudited operating results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding period in the year 2006 as follows:

Condensed Consolidated Income Statements

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	3	50,184	39,595	68,733	67,454
Cost of sales		(33,062)	(30,864)	(47,998)	(49,082)
Gross profit		17,122	8,731	20,735	18,372
Other operating income		422	122	1,335	415
Distribution costs		(3,939)	(6,153)	(8,052)	(14,444)
Administrative expenses		(5,095)	(7,867)	(12,313)	(14,968)
Other operating expenses		(4,425)	(4,040)	(8,631)	(7,815)
Profit (loss) from operations	5	4,085	(9,207)	(6,926)	(18,440)
Finance costs		(1,811)	(1,410)	(4,250)	(2,645)
Profit (loss) before taxation		2,274	(10,617)	(11,176)	(21,085)
Income tax credit	6	-	-	256	525
Net profit (loss) for the period		2,274	(10,617)	(10,920)	(20,560)
Attributable to:					
Equity holders of the Company		3,208	(9,837)	(8,863)	(18,853)
Minority interests		(934)	(780)	(2,057)	(1,707)
		2,274	(10,617)	(10,920)	(20,560)
Dividend	7	-	-	-	-
Basic earning (loss) per share (in RMB cents)	8	0.50	(1.52)	(1.37)	(2.91)

Condensed Consolidated Balance Sheet

	Notes	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
NON-CURRENT ASSETS			
Interests in leasehold land held for own use			
under operating leases		901	11,356
Intangible assets		80,743	86,279
Property, plant and equipment	9	119,595	144,180
Other financial asset		280	280
Pledged bank deposits		936	883
		202,455	242,978
CURRENT ASSETS			
Inventories		40,495	34,040
Trade receivables	10	121,231	101,682
Other receivables and prepayments		37,217	36,715
Amounts due from directors		1,381	1,405
Amounts due from related parties		3,306	4,206
Pledged bank deposits		817	870
Bank balances and cash		11,128	47,926
		215,575	226,844
CURRENT LIABILITIES			
Trade payables	11	70,370	61,850
Other payables and accrued charges		36,436	27,769
Taxation		3,035	3,035
Dividend payables		1,987	2,011
Interest bearing borrowings		105,565	163,600
		217,393	258,265
NET CURRENT LIABILITIES		(1,818)	(31,421)
TOTAL ASSETS LESS CURRENT LIABILITIES		200,637	211,557
NON-CURRENT LIABILITY			
Deferred taxation		600	600
		600	600
NET ASSETS		200,037	210,957
CAPITAL AND RESERVES			
Share capital		64,706	64,706
Reserves		96,784	105,647
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		161,490	170,353
MINORITY INTERESTS		38,547	40,604
TOTAL EQUITY		200,037	210,957

Condensed Consolidated Statement of Changes In Equity*For the six months ended 30 June 2007*

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2006	64,706	71,229	10,213	5,529	86,785	238,462	130	238,592
Minority interests	-	-	-	-	-	-	28,000	28,000
Net loss for the period	-	-	-	-	(18,853)	(18,853)	(1,707)	(20,560)
At 30 June 2006	64,706	71,229	10,213	5,529	67,932	219,609	26,423	246,032
At 1 January 2007	64,706	71,229	10,624	5,529	18,265	170,353	40,604	210,957
Net loss for the period	-	-	-	-	(8,863)	(8,863)	(2,057)	(10,920)
At 30 June 2007	64,706	71,229	10,624	5,529	9,402	161,490	38,547	200,037

Condensed Consolidated Cash Flow Statement*For the six months ended 30 June*

	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Net cash (used in) generated from operating activities:	(3,265)	11,134
Net cash from (used in) investing activities		
Proceeds from disposal of property, plant and equipment	28,490	–
Proceed from disposal of interest in leasehold land	12,727	–
Purchase of property, plant and equipment	(10,187)	(17,256)
Other investing cash flows	(2,398)	(1,412)
Purchase of intangible asset	–	(60,855)
	28,632	(79,523)
Net cash (used in) generated from financing activities:		
Repayment of borrowings	(58,035)	(77,455)
Other financing cash flows	(4,130)	(2,717)
New borrowings raised	–	118,565
Proceeds from share capital contributed by a minority shareholder	–	28,000
	(62,165)	66,393
Net decrease in cash and cash equivalents	(36,798)	(1,996)
Cash and cash equivalents at 1 January	47,926	91,249
Cash and cash equivalents at 30 June represented by bank balances and cash	11,128	89,253

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

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

2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2006.

3. TURNOVER

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

Turnover breakdown by nature of revenue:

	For the three months ended 30 June		For the six months ended 30 June	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Sales of goods	49,538	38,686	67,043	63,109
Service income	646	909	1,690	4,345
	50,184	39,595	68,733	67,454

4. SEGMENT INFORMATION

As sale of telecommunication products is the only reportable business segment of the Group, accordingly, no business segment information is presented.

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

	For the six months ended 30 June 2007			For the six months ended 30 June 2006		
	The People's Republic of China (the "PRC") RMB'000	Other countries RMB'000	Consolidated RMB'000	The PRC RMB'000	Other countries RMB'000	Consolidated RMB'000
Revenue	31,101	37,632	68,733	51,739	15,715	67,454
Segment result	(2,229)	12,355	10,126	(5,775)	4,311	(1,464)
Unallocated corporate expenses			(17,171)			(17,045)
Interest income			119			69
Finance costs			(4,250)			(2,645)
Loss before taxation			(11,176)			(21,085)
Income tax credit			256			525
Loss for the period			(10,920)			(20,560)

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

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

5. PROFIT (LOSS) FROM OPERATIONS

	For the three months ended 30 June		For the six months ended 30 June	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Profit from operations has been arrived at after charging:				
Directors' and supervisors' remuneration	299	377	839	697
Other staff costs	4,363	3,828	9,462	8,336
Retirement benefit scheme contributions (excluding those of directors and supervisors)	335	670	652	941
Total staff costs	4,997	4,875	10,953	9,974
Less: Staff costs included in research and development costs	(533)	(297)	(1,029)	(727)
Staff costs capitalised in development costs	(316)	(405)	(1,253)	(935)
	4,148	4,173	8,671	8,312
Auditors' remuneration				
Audit services	138	120	290	166
Other services	-	20	-	12
Cost of inventories recognised in the income statement	31,607	28,943	45,119	43,620
Depreciation and amortisation of property, plant and equipment	2,679	2,660	5,175	5,156
Less: Depreciation and amortisation included in research and development costs	(786)	(159)	(893)	(494)
Depreciation and amortisation capitalised in development costs	(338)	(562)	(829)	(1,271)
	1,555	1,939	3,453	3,391
Amortisation of development cost (included in other operating expenses)	2,115	1,376	4,172	3,240
Amortisation of technological know-how (included in other operating expenses)	1,940	1,940	3,881	3,881
Amortisation of land use right (included in administrative expenses)	65	65	129	130
Total depreciation and amortisation	5,675	5,320	11,635	10,642
Loss on disposal of property, plant and equipment	1,107	3	1,107	3
Research and development costs	2,730	2,027	4,819	4,542
Less: Development costs capitalised	(1,096)	(1,248)	(2,516)	(2,755)
	1,634	779	2,303	1,787
Interest expenses on borrowings	1,759	1,410	4,130	2,645
and after crediting:				
Interest income	67	23	119	69
Gain on disposal of interest in leasehold land	2,401	-	2,401	-

6. INCOME TAX CREDIT

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

The amount represents over provision for EIT of the Company on the estimated assessable profit for the year 2006.

7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. BASIC EARNING (LOSS) PER SHARE

The calculation of the basic earning (loss) per share is based on the unaudited net profit for the three months and net loss for the six months ended 30 June 2007 of approximately RMB3,208,000, and RMB8,863,000 respectively (net loss for the three months and six months ended 30 June 2006 of approximately RMB9,837,000, and RMB18,853,000 respectively) divided by 647,058,824 shares in issue (2006: 647,058,824 shares).

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

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB10.2 million (2006: RMB17.3 million) on acquisition of property, plant and equipment.

10. TRADE RECEIVABLES

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

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Age		
0 to 60 days	48,665	22,515
61 to 120 days	9,907	11,432
121 to 180 days	4,636	11,924
181 to 240 days	7,984	9,397
241 to 365 days	9,691	6,221
Over 365 days	57,258	57,103
	138,141	118,592
Less: Allowance for doubtful debts	(16,910)	(16,910)
	121,231	101,682

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

11. TRADE PAYABLES

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

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Age		
0 to 60 days	32,986	18,832
61 to 120 days	4,918	6,351
121 to 365 days	21,921	27,696
Over 365 days	10,545	8,971
	70,370	61,850

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

12. CAPITAL COMMITMENTS

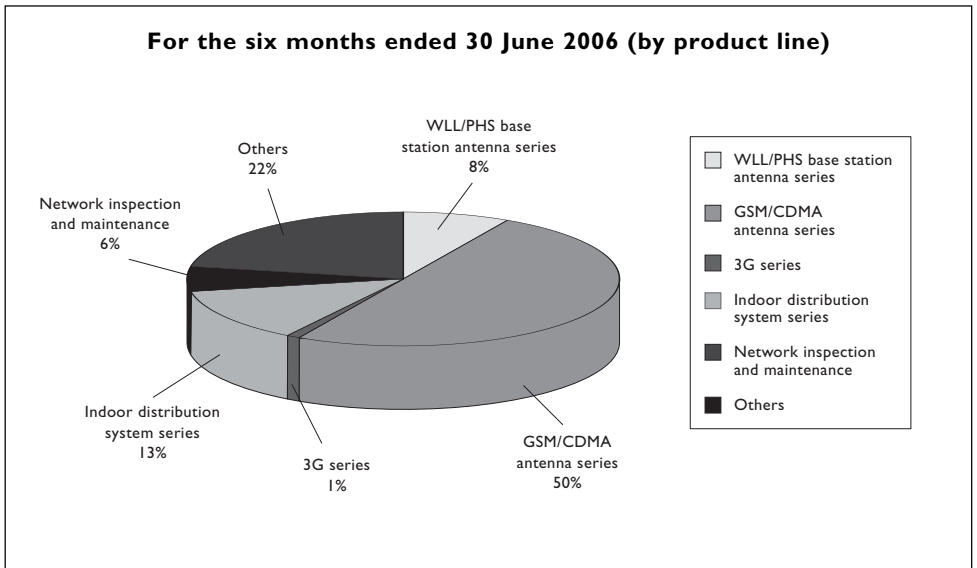
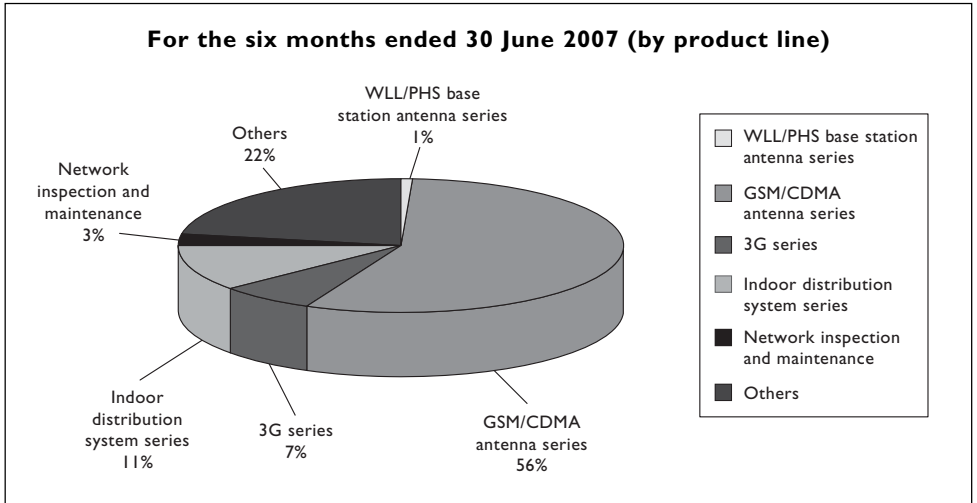
	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	5,557	6,941

MANAGEMENT DISCUSSION AND ANALYSIS

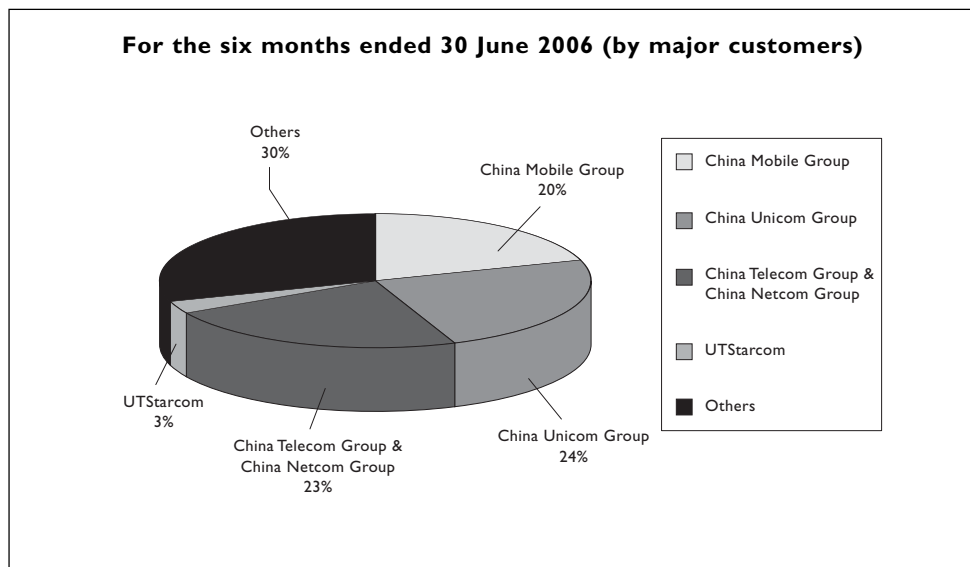
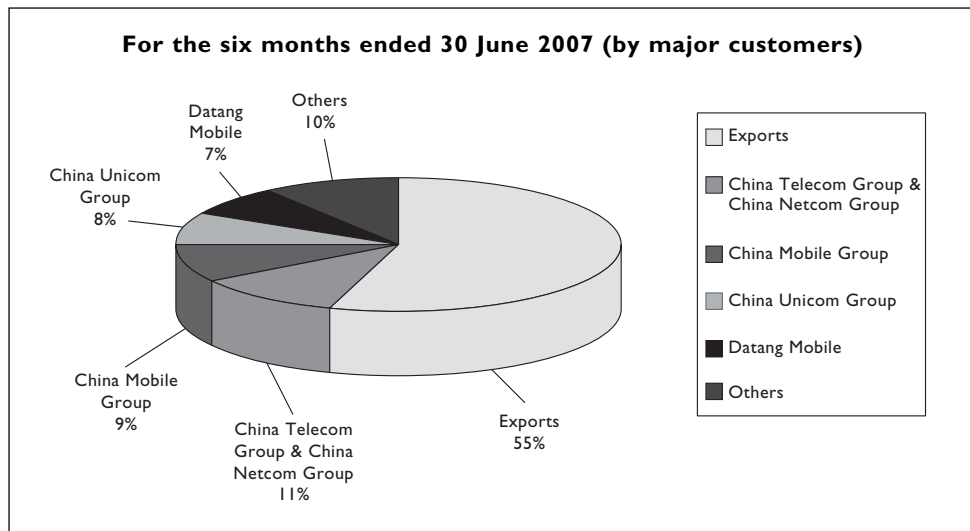
Business Review

The Group recorded an unaudited turnover of approximately RMB50.2 million and RMB68.7 million for the three months and six months ended 30 June 2007 respectively, representing an increase of approximately 26.8% and 1.8% compared with the unaudited turnover for the corresponding period in the year 2006. The increase was mainly resulted from the strategic focus of the Group on developing international markets which in turns become an expanding income source and contribute to broadened customer base. However, the increase was partly offset by the decrease in sales in domestic market which was confronted with conservative atmosphere in the wireless telecommunications industry in PRC and further delay in issuance of 3G licence. Percentage of total sales of GSM/CDMA antenna series product increased from approximately 50.0% for the corresponding period in the year 2006 to approximately 56.0% for the six months ended 30 June 2007, the product line remained as the major revenue contributor of the Group; while revenue generated from WLL/PHS base station antenna series dropped significantly from approximately 8.0% to 1.0% in 2007. In addition, turnover from 3G related products represented approximately 7.0% of total sales of the Group.

Composite of sales by product line for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in the year 2006, are provided as follows:



Composite of turnover by major customers for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in the year 2006, are provided as follows:



Legend:

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

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

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

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

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

Gross Profit

During the six months ended 30 June 2007, unaudited gross profit amounted to approximately RMB20.7 million, gross profit margin was approximately 30.1%, represented a slight increase when compared to the gross profit margin of 27.3% for the corresponding period in the year 2006.

Operating Costs and Expenses

Administrative expenses decreased by RMB2.7 million or 18%, amounting to approximately RMB12.3 million comparing with the corresponding period in the year 2006. Distribution costs for the six months ended 30 June 2007 amounted to approximately RMB8.1 million, representing a decrease of approximately RMB6.3 million or approximately 43.8% comparing with the corresponding period in the year 2006. The decrease was mainly due to effective cost control measures exercised by the Group.

Other operating expenses amounted to approximately RMB8.6 million, representing an increase of approximately RMB0.8 million comparing with the corresponding period in the year 2006. The increase was mainly resulted from the amortization of capitalized research and development cost and amortization of intangible assets.

Finance costs amounted to approximately RMB4.3 million, representing an increase of approximately RMB1.7 million comparing with the corresponding period in the year 2006. The increase was mainly due to increase in average monthly bank loan balance during the current period when compared with the corresponding period in the year 2006.

Consequently, during the three months ended 30 June 2007, the Group recorded an unaudited net profit of approximately RMB3.2 million, representing an increase of approximately 132.7% as compared to the net loss of approximately RMB9.8 million for the corresponding period in year 2006. During the six months ended 30 June 2007, the Group recorded an unaudited net loss of approximately RMB8.9 million, representing a decrease of approximately RMB10.0 million or 53.0% as compared to the net loss of approximately RMB18.9 million for the corresponding period in the year 2006.

PROSPECTS

During the six months ended 30 June 2007, 3G related products of the Group, TDSCDMA micro cellular base station, were launched and sold exclusively to Datang Mobile which participated actively in the open tender organized by China Mobile. The Directors expect that revenue from 3G market will become an increasing income stream of the Group.

Besides, the Group will continue its focus on expanding customer base and developing international markets in order to improve profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's short-term bank borrowings decreased from approximately RMB139.6 million to approximately RMB105.6 million which represented total bank borrowings of the Group as at 30 June 2007. These bank borrowings were mainly used for the Group's daily operation and acquisition of fixed assets.

As at 30 June 2007, all of the Group's bank borrowings bear interest at fixed interest rates ranging from 5.2% to 7.6% per annum. Since all the bank borrowings were denominated in Renminbi, exposure to foreign exchange risk was minimal.

During the reporting period, the Group's gearing ratio decreased to 65.4% (as at 31 December 2006: 96.0%), which is calculated based on total borrowings of approximately RMB105.6 million over total shareholders' funds of approximately RMB161.5 million. Cash and cash equivalents decreased from approximately RMB47.9 million to RMB11.1 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or Renminbi, which are directly related to the Group's business in the areas of the currencies concerned.

CHARGES ON GROUP'S ASSETS

As at 30 June 2007, the Company pledged bank deposits with a total amount of approximately RMB1.8 million, buildings of net book value of approximately RMB26.8 million, land use right of net book value of approximately RMB0.9 million and trade receivables of approximately RMB15.6 million for banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group and the Company did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2007, the Group was not exposed to any significant foreign exchange risk as majority of the Group's transactions were denominated in Renminbi. Hence, no financial instrument for hedging was employed.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Group had approximately 626 full-time employees. Total staff costs for the six months ended 30 June 2007 amounting to approximately RMB11.0 million (six months ended 30 June 2006: RMB10.0 million), including remuneration of the Directors and members of supervisory committee (the "Supervisors") and staff costs included in research and development costs and capitalized. The Group reviews employee remuneration from time to time and increases are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending on the financial performance of the Group. The Group has not granted any share options to the Directors and its full-time employees.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries, during the six months ended 30 June 2007 and as at the balance sheet date, the Group did not hold other investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 30 June 2007, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB5.6 million (as at 31 December 2006: RMB6.9 million). Save as disclosed herein the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2007, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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

As at 30 June 2007, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company, including their respective associates, in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Domestic Shares of the Company

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

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

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

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2007 as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2007, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

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

As at 30 June 2007, the following persons or entities (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(A) Substantial shareholders of the Company

Long positions in Domestic Shares of the Company

Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Tian An Investment	Corporate	Beneficial owner	180,000,000	37.09%	27.81%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.81%
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert	180,000,000 (Note 2)	37.09%	27.81%
西安解放集團股份有限公司 (Xi'an Jiefang Group Joint Stock Co., Ltd.*)	Corporate	Beneficial owner	100,000,000	20.60%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706	15.47%	11.60%
Zhang Yinghua (張英華)	Personal	Held by controlled corporation	75,064,706 (Note 3)	15.47%	11.60%

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

Notes:

1. The Domestic Shares were held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by Ms. Yao Wenli. By virtue of the SFO, Ms. Yao Wenli was deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.
2. Professor Xiao Liangyong is the father of Mr. Xiao Bing and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, he was deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.
3. The Domestic Shares were held by Shenzhen Huitai, which is beneficially owned by Zuo Hong and Zhang Yinghua in equal share. By virtue of the SFO, each of Zuo Hong and Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.
4. The Domestic Shares were held by XITIC. By virtue of the SFO, Xi'an Finance Bureau and Shanghai Zendai Investment Management Co., Ltd., which respectively holds more than one third of voting rights of XITIC, were deemed to be interested in the same 70,151,471 Domestic Shares held by XITIC.

(B) Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO*Long positions in Domestic Shares of the Company*

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

Long positions in H Shares of the Company

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

* for identification purpose only

Notes:

1. The Domestic Shares were held by Beijing Holdings. By virtue of the SFO, Beijing Holdings (Group) Limited, which holds more than one third of voting rights of Beijing Holdings, was deemed to be interested in the same 54,077,941 Domestic Shares held by Beijing Holdings.
2. The details of these shareholders of the Company were based on information as set out in the website of the Stock Exchange. The Company has not been notified by the relevant shareholders and has not received any Corporate Substantial Shareholder Notice from the relevant shareholders.

Save as disclosed above, as at 30 June 2007, the Directors, Supervisors and chief executives of the Company were not aware of any person (other than the Directors, Supervisors and chief executives of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

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

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established on 4 April 2003 with terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 June 2007, the Audit Committee comprised of Mr. Lei Huafeng and Professor Gong Shuxi, independent non-executive Directors, and Mr. Li Wenqi, a non-executive Director. The Group's unaudited consolidated results for the six months ended 30 June 2007 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2007, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2007, the Company has adopted a code of conduct for securities transactions by Directors (the "Code"), which is no less exacting than the required standard of dealings of securities by Directors as set out in Rule 5.48 to 5.67 of the GEM Listing Rules. In addition, the Company has made specific inquiry with all the Directors, and has not been notified of any noncompliance with the standard of dealings of securities by Directors and the Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

By order of the Board

Xiao Bing

Chairman

Xi'an, the PRC, 30 July 2007

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