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)

Annual Report 2008

*For identification purposes only

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

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

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

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

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

* *For identification purpose only*

Contents

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

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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
Room 1806–07, 18th Floor, Hopewell Centre
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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 2008.

The Group started off well in the first half of 2008. We established good relationships with well-known international telecommunications operators in the Indian market and had a satisfactory growth in export sales. Our self-developed remote electrical tilt antenna series were launched and had generated considerate sales revenue during the year. However, we saw our financial performance impacted by the deepening global financial crisis and economic downturn since the fourth quarter of 2008. The PRC economy was not spared as the crisis affected its export markets as well as domestic consumption, leading to a noticeable slowdown in business activities. Thus, the Group recorded a loss for the year.

Looking ahead, 2009 is set to be an even more challenging year compared to the year before. The global financial crisis and tight credit market have affected our customers both in the overseas and domestic markets.

However, the PRC Ministry of Industry and Information announced that the three major telecommunication operators had received permission to operate third generation mobile telecommunications ("3G") business on 7 January 2009. As our Group has paid lots of efforts on research and development of 3G products over the past years and had successfully developed 3G repeater, trunk amplifier technologies and Base Station Antenna Core Dipole Element for 3G networking in recent years. These new products and technologies had strengthened our technology edge in 3G products and led us at a strong position among other competitors in this market. Therefore, we expect 3G will bring the incredible business development opportunity to our Group.

Furthermore, we will also be mindful of the operating challenges in this economic climate. To minimize credit risks, we are imposing tighter credit control over our existing and new customers.

On behalf of the Board, I would like 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
26 March 2009

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

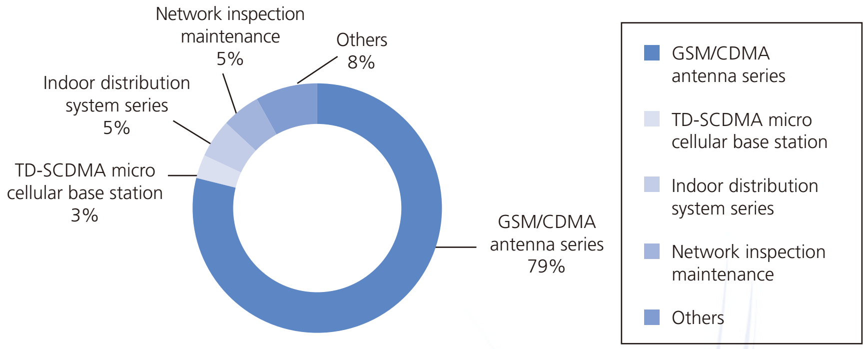
The Group recorded a turnover of approximately RMB152.0 million for the year ended 31 December 2008, representing an increase of approximately 12.6% from last year. The increase was mainly attributable to the success of exploring the Indian market and the launch of new self-developed remote electrical tilt antenna series.

With the successful experience of developing the international market last year, the Group focused on exploring the Indian market and established good cooperation relationship with well-known telecommunications operators in India. The export sales were increased from approximately RMB63.5 million in 2007 to approximately RMB72.5 million in 2008.

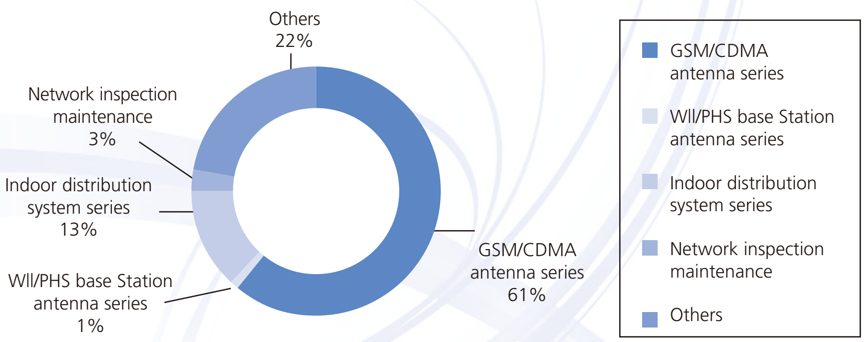
In addition, the Group's self-developed remote electrical tilt antenna series were launched and have generated considerable sales revenue this year. The contribution of sales of GSM/CDMA antenna series to the Group's revenue was increased from 61% in 2007 to 79% in 2008.

Composite of sales by product line for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007, are provided as follows:

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



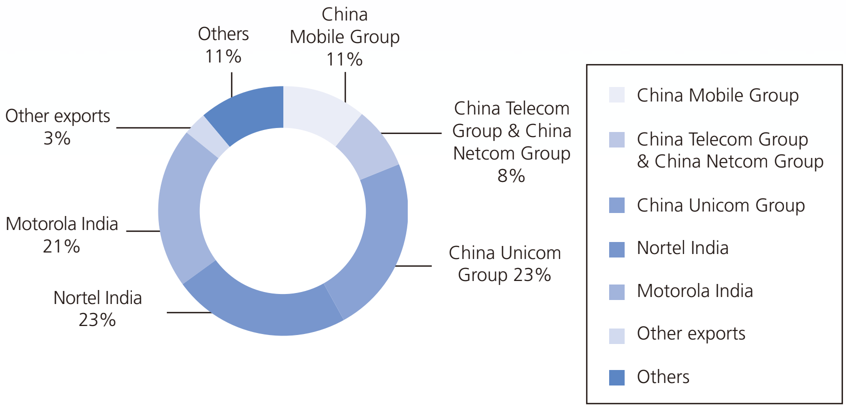
For the year ended 31 December 2007 (by product lines)



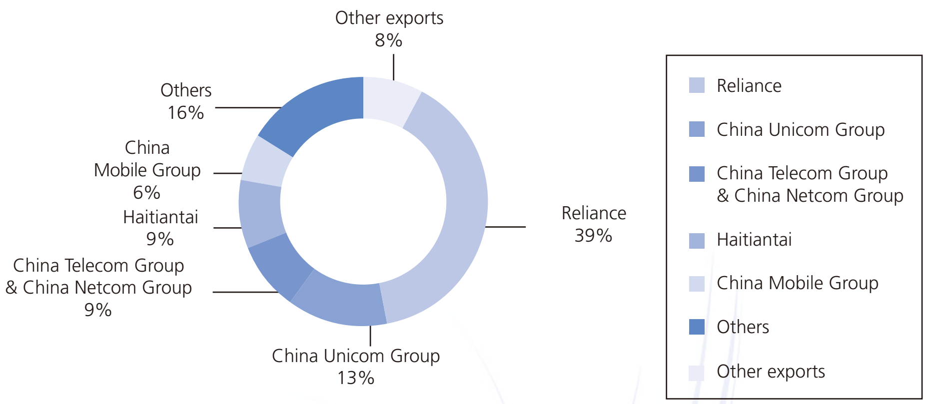
Management Discussion and Analysis

Composite of turnover by major customers for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007, are provided as follows:

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



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



Legend:

Reliance: Reliance Communications Limited, India

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

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

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

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

Nortel India: Nortel Networks India PVT Ltd

Motorola India: Motorola India Private Limited

Gross Profit

The Group's gross profit for the year 2008 amounted to approximately RMB58.9 million, representing an increase of approximately 20.8% over 2007. Gross profit margin was 38.7% in 2008 compared to 36.1% in 2007. The rising gross profit margin was due to the control on production costs continually imposed by the Group, which reduced the unit cost this year. Besides, the Group launched self-developed higher value-added remote electrical tilt antenna series, which generated considerate sales revenue and increased the Group's profit margin for the year.

Other Revenue

Other revenue was approximately RMB4.8 million, representing a decrease of 61.3%. The significant decrease was mainly due to government grants decrease from approximately RMB8.0 million in 2007 to approximately RMB3.8 million in 2008. Besides, the Group had the gain on disposal of prepaid lease payments and reversal of impairment loss in respect of trade and bills receivable of approximately RMB2.4 million and RMB1.0 million respectively in 2007, but they had not recurred this year.

Operating Costs and Expenses

Distribution costs were approximately RMB18.6 million, representing an increase of approximately 12.7% over year 2007. The increase was in line with the growth of export sales for the year. It was mainly attributable to the increase of agency fees, transportation costs for export sales and overseas traveling expenses.

Administrative expenses had increased by approximately RMB7.5 million, representing an increase of 15.5% as compared with the year 2007. The increase was mainly due to the impairment losses in respect of development costs for technology of PHS, trade receivable and other receivables of approximately RMB5.7 million, RMB1.0 million and RMB6.0 million respectively recognized to the income statement this year. The increase has been partially offset by the decrease of amortization of technological know-how reduced from approximately RMB7.2 million in 2007 to approximately RMB1.0 million this year.

Finance costs amounted to approximately RMB10.2 million, representing an increase of approximately RMB2.8 million comparing with year 2007. The increase was mainly due to the increase of average interest rate on bank borrowings. Further, other borrowings borne interest at 13%-15% per annum this year while the corresponding borrowings were interest-free in 2007.

Consequently, loss attributable to shareholders for the year ended 31 December 2008 was approximately RMB21.0 million, as compared to a profit attributable to shareholders of approximately RMB0.9 million in the prior year. The net loss position was mainly due to the impairment losses recognised in respect of development costs and trade and other receivables as mentioned above.

PROSPECTS

3G potentials

On 7 January 2009, the PRC Ministry of Industry and Information announced that the three major telecommunication operators had received permission to operate third generation mobile telecommunications ("3G") business.

One of the Company's subsidiaries, Jiazai had successfully developed new 3G related products namely 3G repeater and trunk amplifier technologies in 2007. The Group further developed the new technology named Base Station Antenna Core Dipole Element for 3G networking this year. These new products and technologies had further strengthened our technology edge in 3G products. 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

The Group proactively developed the international market over the past few years and which became the key revenue driver of the Group. In 2008, the export sales contributed approximately 47.7% of revenue to the Group. The Group will continue to establish good cooperation relationships with well-known international telecommunications operators. Leveraging their edges in terms of technology and costs, the Group will fully capitalize on the opportunities in the global market.

Enhancement of competitiveness

The Group continually strengthen its research and development, especially for product development. During the year, the Group launched self-developed remote electrical tilt antenna series, which have generated considerate sales revenue for the year. They are expected to have a larger contribution to the future revenue. Besides, the Group will continue to improve and further develop more high value-added remote electrical tilt antenna products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by cash from operations and banking facilities. As at 31 December 2008, the Group had bank loans of approximately RMB80.4 million and other loans of approximately RMB7.0 million which were all repayable within one year. These borrowings were mainly used for the Group's daily operations.

As at 31 December 2008, all of the Group's interest-bearing borrowings borne fixed interest rates ranging from 6.12% to 15%. Since most the borrowings were denominated in RMB, the Directors consider that exposure to foreign exchange risk was minimal.

As at 31 December 2008, the Group's gearing ratio increased to 58.9% (2007: 55.1%), which is calculated based on total borrowings of approximately RMB87.4 million and total shareholders' funds of approximately RMB148.5 million. Cash and cash equivalents increased from approximately RMB6.2 million to RMB8.7 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and were denominated in either USD or RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, 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 2008, the Group pledged bank deposits of approximately RMB11.4 million, buildings of carrying value of approximately RMB23.9 million, land lease premium held for own use of carrying value of approximately RMB0.9 million and trade receivables of approximately RMB4.4 million for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2008, 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.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Group had approximately 772 full-time employees. Total staff costs for the year 2008 amounted to approximately RMB22.7 million (2007: RMB22.4 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 2008.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2008, 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 RMB1.0 million (2007: RMB4.9 million).

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

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraph headed "Significant Investment Held" above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2008.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2008, sales to the top five customers and the largest customer accounted for approximately 85.5% (2007: 76.8%) and 23.1% (2007: 39.3%) respectively of the Group's total turnover.

For the year ended 31 December 2008, purchases from the top five suppliers and the largest supplier accounted for approximately 44.2% (2007: 33.8%) and 23.8% (2007: 13.8%) 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 2008.

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 2008, 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 2008:

	Number of meetings attended/Total
Executive Directors	
Professor Xiao Liangyong (Chairman)	4/5
Mr. Xiao Bing	5/5
Mr. Zuo Hong	3/5
Non-Executive Directors	
Mr. Luo Maosheng	4/5
Mr. Li Wenqi	4/5
Mr. Sun Wenguo	3/5
Mr. Cong Chunshui (appointed on 19 November 2008)	–/–
Mr. Lin Deqiong (appointed on 19 November 2008)	–/–
Ms. Wang Jing (resigned on 19 November 2008)	3/5
Mr. Xing Changling (resigned on 19 November 2008)	4/5
Independent Non-Executive Directors	
Professor Gong Shuxi	4/5
Mr. Lei Huafeng	3/5
Mr. Qiang Wenyu	4/5

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.

Corporate Governance Report

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 2008 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 2008 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 2008.

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

Corporate Governance Report

The Audit Committee held five meetings in 2008 discussing the Group's annual results for 2007, quarterly results for 2008, and reviewing internal control matters. The individual attendance record of each member is as follows:

	Number of meetings attended/Total
Non-Executive Directors	
Mr. Li Wenqi	4/5
Independent Non-Executive Directors	
Professor Gong Shuxi	4/5
Mr. Lei Huafeng	3/5

AUDITORS' REMUNERATION

During 2008, 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 73, graduated from 張家口解放軍通訊工程學院 (Zhangjiakou PLA Communication Engineering College) (now known as 西安電子科技大學 (Xidian University) in 1957 with a degree in radio engineering. He took positions as the tutor, lecturer, associate professor, professor and dean of the sixth department (currently the electronic engineering college) and antenna development centre of Xidian University from January 1957 to January 1998. Professor Xiao was an executive director and the general manager of 西安海天通訊設備有限公司 (Xi'an Haitian Communications Equipment Company Limited), the predecessor of the Company, from January 2000 to October 2000. Besides, Professor Xiao was the Chairman of the Company from October 2000 to August 2004 and was an executive Director from the date of listing of the Company in November 2003 to March 2005. Professor Xiao is the father of and a person acting in concert with Mr. Xiao Bing. Professor Xiao was elected the chairman of the Board on 30 November 2007.

Mr. Xiao Bing (肖兵先生), aged 43, 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 45, 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 46, 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 33, 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.

Directors, Supervisors and Senior Management

Mr. Li Wenqi (李文琦先生), aged 43, graduated from 陝西財經學院 (Shaanxi College of Finance and Economics, now known as 西安交通大學 (Xi'an Jiaotong University)). He worked for 陝西絲綢進出口公司 (Shaanxi Silk Import & Export Corporation, one of the substantial shareholders, "Shaanxi Silk") as the deputy chief and manager of planning and finance department from October 1987 to April 1994 and from April 1994 to October 1997 respectively and the assistant to general manager and manager of planning and finance department from October 1997 to May 2001. He is an accountant and the chief accountant and manager of planning and finance department of Shaanxi Silk since May 2001. He joined the Company as a non-executive Director since October 2000.

Mr. Cong Chunshui (叢春水先生), aged 36, 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 45, 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").

Directors, Supervisors and Senior Management

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 45, 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 35, 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 72, 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 59, 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 50, 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.

Directors, Supervisors and Senior Management

Ms. Chen Hua (陳華), aged 44, 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. (廣東翱翔實業有限公司). 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 37, 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. (西安鵬光税務師税務所有限責任公司). Since March 2005, Mr. Xu has worked in the finance department of the Company.

SENIOR MANAGEMENT

Mr. Fang Xi (方曦先生), aged 38, graduated from the agricultural finance department of 中南財經政法大學 (Zhongnan University of Economics and Law) in 1993 and worked as head of finance department and deputy chief accountant of 國營黃河機器制造廠 (State-owned Huanghe Machinery Plant) from 1993 to 2001. Currently, he is responsible for the finance function of the Group. Mr. Fang was nominated by the Board as an executive Director effective in April 2005 and had resigned from the post of executive Director in September 2005.

Mr. Pan Zhiqing (潘志青先生), aged 46, graduated from 清華大學 (Tsinghua University) in August 1984 with a bachelor degree in Computer Science and Engineering, in 1987 with a master degree from 中國科學院數學研究所 (Institute of Mathematics in Chinese Academy of Sciences). Mr. Pan worked for 深圳安科公司 (Analogic Scientific Inc.) as team leader and assistant manager in MRI Department during August 1987 to July 1994, and as vice general manager in 深圳市聯宜九天電子技術有限公司 (Shenzhen Topsky Electronic Co., LTD.) and 深圳市泰立康電子有限公司 (Shenzhen Telecom Electronic Co., LTD.) during August 1994 to July 1997 and during August 1997 to July 1999 respectively. Before joining the Group, Mr. Pan worked as a general manager in 深圳市海天泰通訊設備有限公司 (Shenzhen Haitian-Tech Communications Co., LTD.). Mr. Pan was appointed as the Vice President of the Group in October 2006.

COMPANY SECRETARY

Mr. Chan Pak Kin, Ken (陳伯健先生), aged 36, 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 2008, 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 2008 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 2008 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
26 March 2009

Directors' Report

The Directors have pleasure in presenting their report for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 28 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2008.

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 2008 and 31 December 2007.

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2008 is set out on page 70 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB5.2 million on plant and equipment and approximately RMB5.2 million on properties under construction to expand and upgrade its production capacity.

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

Directors' Report

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 (appointed on 19 November 2008)
Mr. Lin Deqiong (appointed on 19 November 2008)
Mr. Xing Changling (resigned on 19 November 2008)
Ms. Wang Jing (resigned on 19 November 2008)

Independent non-executive directors:
Professor Gong Shuxi
Mr. Lei Huafeng
Mr. Qiang Wenyu

Supervisors:
Mr. Liu Yongqiang
Professor Shi Ping
Mr. Bai Fubo (appointed on 3 June 2008)
Ms. Chen Hua (appointed on 3 June 2008)
Mr. Xu Hao (appointed on 3 June 2008)
Ms. Sun Guilian (resigned on 3 June 2008)
Mr. Yang Jun (resigned on 3 June 2008)
Mr. Mei Jie (resigned on 3 June 2008)

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' Report

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 2008, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company, including their respective associates, in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Domestic Shares of the Company

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

Notes:

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

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

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2008 as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 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 2008, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

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

As at 31 December 2008, the following persons or entities (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(A) Substantial shareholders of the Company

Long positions in Domestic Shares of the Company

Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Domestic Shares					
Tian An Investment	Corporate	Beneficial owner	180,000,000 *(Note 1)*	37.09%	27.81%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled Corporation	180,000,000 *(Note 1)*	37.09%	27.81%
西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited*, "Xi'an Kaiyuan")	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 2)*	15.47%	11.60%
西安國際信託投資有限公司 (XITIC)	Corporate	Beneficial owner	70,151,471	14.45%	10.84%

Directors' Report

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)*	14.45%	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 3)*	14.45%	10.84%

Notes:

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

2. The Domestic Shares were held by Shenzhen Huitai, which is beneficially owned by 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.

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	11.14%	8.35%
京泰實業（集團）有限公司 (Beijing Holdings (Group) Limited*)	Corporate	Held by controlled corporation	54,077,941 *(Note 1)*	11.14%	8.35%

Long positions in H Shares of the Company

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

* *for identification purpose only*

Notes:

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

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

Save as disclosed above, as at 31 December 2008, the Directors, Supervisors and chief executives of the Company were not aware of any person (other than the Directors, Supervisors and chief executives of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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, the Company, as tenant, entered into a lease agreement with 西安海天投資控股有限責任公司 (Xi'an Haitian Investment Holdings Limited) ("Haitian Investment"), as landlord, for the lease of land for daily operation and production purposes. Haitian Investment is a connected person of the Company within the meaning of the GEM Listing Rules by virtue of its being owned as to 75% and 5% by 肖兵先生 (Mr. Xiao Bing) and 左宏先生 (Mr. Zuo Hong), the Directors, and 5% by 方曦先生 (Mr. Fang Xi), the financial controller of the Company. For the year ended 31 December 2008, rent paid to Haitian Investment amounted to RMB2,635,271.

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) was entered into in accordance with the relevant agreement governing such transaction; and

(c) had not exceeded the expected cap amount disclosed in the Company's announcement dated 6 July 2006.

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.

Directors' Report

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 2008.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2008.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 09 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
26 March 2009

Independent Auditor's Report

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 28 to 69, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2008 and of its 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.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates that as of 31 December 2008 the Group had net current liabilities of RMB766,786 and incurred loss of RMB21,047,126 for the year then ended. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

Hong Kong
26 March 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	**2008** *RMB*	2007 *RMB*
Turnover	8	**152,020,094**	135,011,375
Cost of sales		**(93,153,927)**	(86,267,907)
Gross profit		**58,866,167**	48,743,468
Other revenue	9	**4,803,402**	12,410,309
Gain on disposal of intangible assets		**–**	12,104,782
Distribution costs		**(18,637,571)**	(16,542,367)
Administrative expenses		**(55,905,410)**	(48,386,452)
Finance costs	10	**(10,234,449)**	(7,442,762)
(Loss) profit before tax		**(21,107,861)**	886,978
Income tax credit	11	**60,735**	21,867
(Loss) profit for the year	13	**(21,047,126)**	908,845
Attributable to:			
Equity holders of the Company		**(21,047,126)**	921,031
Minority interests		**–**	(12,186)
		(21,047,126)	908,845
(Loss) earnings per share			
– Basic	14	**(3.25 cents)**	0.14 cents

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB	2007 RMB
Non-current assets			
Property, plant and equipment	16	**117,559,544**	118,482,113
Prepaid lease payments	17	**848,716**	869,485
Goodwill	18	**4,836,763**	4,836,763
Intangible assets	19	**17,497,033**	27,588,574
Available-for-sales financial asset	21	**–**	–
Pledged bank deposits	22	**9,110,756**	2,492,699
		149,852,812	154,269,634
Current assets			
Inventories	23	**29,859,534**	34,571,680
Trade and bills receivables	24	**98,694,632**	93,512,868
Prepaid lease payments	17	**20,777**	20,785
Other receivables and prepayments	25	**38,919,946**	59,497,717
Amounts due from directors	26	**609,314**	664,810
Amounts due from related parties	27	**2,946,822**	3,118,885
Pledged bank deposits	22	**2,316,475**	745,634
Bank balances and cash	22	**8,662,072**	6,205,561
		182,029,572	198,337,940
Current liabilities			
Trade payables	28	**66,656,762**	63,268,729
Other payables and accrued charges		**20,072,616**	17,033,540
Dividend payables		**1,487,140**	1,987,140
Amounts due to directors	26	**3,000,650**	2,697,595
Tax liabilities		**4,129,285**	4,107,418
Bank and other borrowings	29	**87,449,905**	93,380,000
		182,796,358	182,474,422
Net current (liabilities) assets		**(766,786)**	15,863,518
Total assets less current liabilities		**149,086,026**	170,133,152
Non-current liabilities			
Deferred tax liabilities	30	**600,000**	600,000
Net assets		**148,486,026**	169,533,152
Capital and reserves			
Share capital	31	**64,705,882**	64,705,882
Reserves	32	**83,780,144**	104,827,270
Equity attributable to equity holders of the Company		**148,486,026**	169,533,152
Minority interests		**–**	–
Total equity		**148,486,026**	169,533,152

The consolidated financial statements on pages 28 to 69 were approved and authorised for issue by the Board of Directors on 26 March 2009 and are signed by:

Professor Xiao Liangyong
Director

Mr. Xiao Bing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company						
	Share capital *RMB*	Share premium *RMB*	Statutory surplus reserve *RMB* *(note 32(a))*	Retained profits (accumulated loss) *RMB*	Total *RMB*	Minority interests *RMB*	Total *RMB*
At 1 January 2007	64,705,882	71,228,946	16,153,228	16,524,065	168,612,121	40,604,482	209,216,603
Profit for the year and total recognised income and expense for the year	–	–	–	921,031	921,031	(12,186)	908,845
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(40,592,296)	(40,592,296)
At 31 December 2007	64,705,882	71,228,946	16,153,228	17,445,096	169,533,152	–	169,533,152
Loss for the year and total recognised expense for the year	–	–	–	(21,047,126)	(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**	**–**	**148,486,026**

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RMB	2007 RMB
OPERATING ACTIVITIES		
(Loss) profit before tax	**(21,107,861)**	886,978
Adjustments for:		
Allowance for inventories	**3,728,643**	1,888,875
Amortisation of development costs	**9,334,857**	8,550,345
Amortisation of prepaid lease payments	**20,777**	139,881
Amortisation of technological know-how	**1,000,000**	7,198,205
Depreciation of property, plant and equipment	**10,926,720**	11,501,515
Finance costs	**10,234,449**	7,442,762
Gain on disposal of intangible assets	**–**	(12,104,782)
Gain on disposal of prepaid lease payments	**–**	(2,400,565)
Impairment loss recognised in respect of available-for-sale financial asset	**–**	280,000
Impairment loss recognised in respect of intangible assets	**5,659,730**	–
Impairment loss recognised (reversed) in respect of trade and bills receivables	**960,815**	(997,697)
Impairment loss recognised in respect of other receivables	**6,025,680**	–
Impairment loss recognised in respect of goodwill	**–**	179,741
Impairment loss recognised in respect of property, plant and equipment	**–**	1,531,970
Interest income	**(100,520)**	(161,533)
Loss on disposal of property, plant and equipment	**419,729**	2,534,209
Operating cash flows before changes in working capital	**27,103,019**	26,469,904
Decrease (increase) in inventories	**983,503**	(2,420,337)
(Increase) decrease in trade and bills receivables	**(6,142,579)**	9,166,745
Decrease (increase) in other receivables and prepayments	**14,552,091**	(22,782,526)
Increase in trade payables	**3,388,033**	11,959,819
Increase (decrease) in other payables and accrued charges	**3,039,076**	(9,641,518)
Cash from operations	**42,923,143**	12,752,087
Income tax paid	**(173,676)**	–
Income tax refunded	**256,278**	–
NET CASH FROM OPERATING ACTIVITIES	**43,005,745**	12,752,087

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 *RMB*	2007 *RMB*
INVESTING ACTIVITIES		
Payment for construction cost on properties under construction and purchase of property, plant and equipment	**(10,019,206)**	(17,458,334)
Increase in pledged bank deposits	**(8,188,898)**	(1,484,940)
Expenditure on product development	**(5,903,046)**	(4,952,911)
Decrease in amounts due from related parties	**172,063**	1,086,761
Interest received	**100,520**	161,533
Decrease in amounts due from directors	**55,496**	739,891
Proceeds from disposal of property, plant and equipment	**9,050**	28,260,247
Proceeds from disposal of prepaid lease payments	**–**	12,726,679
Proceeds from disposal of intangible asset	**–**	4,000,000
Acquisition of additional interest in subsidiaries	**–**	(150,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(23,774,021)**	22,928,926
FINANCING ACTIVITIES		
Repayment of loans	**(133,516,406)**	(201,040,663)
Interest paid	**(10,648,173)**	(8,114,052)
Dividend paid to equity holders of the Company	**(500,000)**	(24,000)
New loans raised	**127,586,311**	129,079,710
Increase in amounts due to directors	**303,055**	2,697,595
NET CASH USED IN FINANCING ACTIVITIES	**(16,775,213)**	(77,401,410)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,456,511**	(41,720,397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,205,561**	47,925,958
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**8,662,072**	6,205,561

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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 39.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the consolidated net current liabilities of RMB766,786 as at 31 December 2008 and the loss of RMB21,047,126 for the year then ended. In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year by taking into consideration the proposed arrangements which include, but are not limited to, the following:

(a) subsequent to the balance sheet date, the Company entered into three loan agreements with a bank in which the bank has granted the borrowings amounted to RMB50,000,000, RMB50,000,000 and RMB38,000,000 which are repayable in January 2011, December 2011 and January 2010, respectively. RMB59,000,000 of which has been used to retire part of the short-term bank borrowings as included in the consolidated balance sheet as at 31 December 2008. The directors are in the opinion that the remaining RMB79,000,000 will be used to finance the daily operation. The respective bank borrowings are secured by certain land and buildings of the Group and land use rights that are owned by a related company of the Company;

(b) subsequent to the balance sheet date, on 27 February 2009, the Company has successfully renewed a bank borrowing amounted to RMB10,000,000 for another one year up to 26 February 2010. The directors of the Company are in the opinion that the Group maintains good and stable relationship with its banks and are confident of receiving continuing financial support from the banks;

(c) the directors anticipate that the Group will continually generate positive cash flows from its businesses; and

(d) the directors have adopted various cost control measures to reduce various distribution costs and administrative expenses.

On the basis that the Group obtained the continuing availability of the banking facilities provided by its banks and the implementation of other measures with a view to improve its working capital position and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2008. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2008.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Interpretation ("Int") 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedge Items[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfers of assets from customers received on or after 1 July 2009
7 Effective for annual periods ending on or after 30 June 2009

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

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. The directors of the Company has commenced considering the potential impact of other new or revised standards, amendments or interpretations, but is not yet in a position to determine whether these new or revised standards, amendments or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of consolidation

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

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

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

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

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

(b) Goodwill

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Goodwill *(continued)*

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

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

(c) 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.

(d) 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.

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 the consolidated income statement in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment *(continued)*

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

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

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

(e) Leases

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

The Group as lessee

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

(f) 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.

(g) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Borrowing costs

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

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

(i) Government grants

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

(j) 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.

(k) Taxation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Intangible assets

Technological know-how

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

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

Gains or losses arising from derecognition of technological know-how are measured at the difference between the net disposal proceeds and its carrying amount and are recognised in the consolidated income statement 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 expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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

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

(m) Inventories

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

(n) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 and available-for-sales assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Financial instruments *(continued)*

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.

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. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amounts due from directors /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).

Available-for-sale financial assets

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

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

Impairment loss on financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Financial instruments *(continued)*

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 and bills receivables, 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 and bills 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.

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

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments 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.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Financial instruments *(continued)*

Derecognition

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

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

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 2008, the carrying amount of goodwill is RMB4,836,763 (net of accumulated impairment loss of RMB179,741). Details of the recoverable amount calculation are disclosed in Note 20.

Estimated impairment of intangible assets

The management reviews the intangible assets at each balance sheet date, 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. During the year ended 31 December 2008, the management considered that there would be no or minimal future economic benefits generated from certain intangible assets, accordingly, an impairment loss of RMB5,659,730 had been recognised in the consolidated income statement.

Depreciation

The Group's net carrying values of property, plant and equipment as at 31 December 2008 was approximately RMB117,559,544 (2007: RMB118,482,113). 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.

Allowances for inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to 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 29, cash and cash equivalents and equity attributable to equity holders 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.

7. FINANCIAL INSTRUMENTS

7(a) Categories of financial instruments

	2008	2007
	RMB	*RMB*
Financial assets		
Available-for-sales financial asset	**–**	–
Loan and receivables	**144,494,825**	132,998,878
Financial liabilities		
Other financial liabilities measured at amortised cost	**178,667,073**	178,367,004

7(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills 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 balance are insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

7. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk (continued)

(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 interest rate risk is minimal as most of the bank borrowings are a fixed interest rate (see Note 29 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 22 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.

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

The 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 36% (2007: 33%) and 72% (2007: 85%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Liquidity risk

The Group is exposed to liquidity risk as at 31 December 2008 as its financial assets due within one year was less than its financial liabilities due within one year. The Group had net current liabilities of RMB766,786 as at 31 December 2008.

The Group has planned to implement several measures to improve its working capital position and net financial position. Details of which are set out in Note 2.

The Group has no covenants with banks for the banking facilities granted.

7. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. 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 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

At 31 December 2007

	On demand or within one year *RMB*	Total undiscounted cash flows *RMB*	Carrying amount at 31 December 2007 *RMB*
Financial liabilities			
Trade payables	63,268,729	63,268,729	63,268,729
Other payables and accrued charges	17,033,540	17,033,540	17,033,540
Dividend payables	1,987,140	1,987,140	1,987,140
Amount due to a director	2,697,595	2,697,595	2,697,595
Bank and other borrowings	96,151,248	96,151,248	93,380,000
	181,138,252	181,138,252	178,367,004

7(c) Fair value

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. 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.

	2008	2007
	RMB	*RMB*
Turnover		
Sales of goods	**142,627,852**	128,565,375
Service income	**9,392,242**	6,446,000
	152,020,094	135,011,375

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

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

	Sales revenue by geographical market Year ended 31 December	
	2008	2007
	RMB	*RMB*
PRC	**79,493,968**	71,482,920
Asia excluding PRC	**70,170,272**	59,545,948
Others	**2,355,854**	3,982,507
	152,020,094	135,011,375

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. TURNOVER AND SEGMENT INFORMATION *(continued)*

	Carrying amount of segment assets As at 31 December		Additions to property, plant and equipment and intangible assets Year ended 31 December	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
PRC	**323,250,725**	336,218,683	**16,335,976**	23,082,535
Asia excluding PRC	**8,511,246**	16,041,964	**–**	–
Others	**120,413**	346,927	**–**	–
	331,882,384	352,607,574	**16,335,976**	23,082,535

9. OTHER REVENUE

	2008	2007
	RMB	*RMB*
Government grants *(Note 37)*	**3,753,603**	8,036,642
Interest income	**100,520**	161,533
Impairment loss reversed in respect of trade and bills receivables	**–**	997,697
Gain on disposal of prepaid lease payments	**–**	2,400,565
Others	**949,279**	813,872
	4,803,402	12,410,309

10. FINANCE COSTS

	2008	2007
	RMB	*RMB*
Interests on bank and other borrowings wholly repayable within five years	**10,648,173**	8,114,052
Less: amount capitalised	**(413,724)**	(671,290)
	10,234,449	7,442,762

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 10.16% (2007: 9.855%) per annum to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

11. INCOME TAX CREDIT

	2008	2007
	RMB	*RMB*
Current tax		
PRC Enterprise Income Tax	**7,593**	234,411
Overprovision in prior years	**(68,328)**	(256,278)
	(60,735)	(21,867)

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.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax ("EIT") rate of the Group's subsidiaries that were subjected to 33% has been reduced to 25% from 1 January 2008 onwards.

Currently, the Company and certain of its subsidiaries established in 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.

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. Income tax expense for the Company and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant country.

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

	2008	2007
	RMB	*RMB*
(Loss) profit before tax	**(21,107,861)**	886,978
Tax at the domestic income tax rate of 25% (2007: 33%)	**(5,276,965)**	292,703
Tax effect of expenses not deductible for tax purpose	**341,366**	1,403,565
Tax effect of income not taxable for tax purpose	**(17,548)**	(435,749)
Tax effect on tax losses not recognised	**1,620,017**	–
Overprovision in prior years	**(68,328)**	(256,278)
Tax effect of deductible temporary differences not recognised	**4,686,237**	1,733,019
Utilisation of unused tax losses	**(1,345,514)**	(2,759,127)
Income tax credit	**(60,735)**	(21,867)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. DIVIDENDS

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

13. (LOSS) PROFIT FOR THE YEAR

	2008 *RMB*	2007 *RMB*
(Loss) profit for the year is arrived at after charging:		
Depreciation for property, plant and equipment	**10,926,720**	11,501,515
Amortisation of development costs	**9,334,857**	8,550,345
Amortisation of technological know-how	**1,000,000**	7,198,205
Amortisation of prepaid lease payments	**20,777**	139,881
Total depreciation and amortisation	**21,282,354**	27,389,946
Auditors' remuneration		
– audit services	**420,000**	390,000
– other services	**20,000**	–
Cost of inventories recognised as expenses	**86,834,816**	83,325,241
Staff costs		
– Directors' and supervisors' remuneration *(Note 15)*	**1,602,600**	1,728,456
– Salaries, wages and other benefits	**20,379,301**	19,519,427
– Retirement benefit scheme contributions (excluding directors and supervisors)	**742,299**	1,103,545
Total staff costs	**22,724,200**	22,351,428
Loss on disposal of property, plant and equipment	**419,729**	2,534,209
Allowance for inventories (included in cost of sales)	**3,728,643**	1,888,875
Impairment loss recognised in respect of available-for-sale financial asset (included in administrative expenses) *(Note 21)*	**–**	280,000
Impairment losses recognised in respect of intangible assets (included in administrative expenses) *(Note 19)*	**5,659,730**	–
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses) *(Note 16)*	**–**	1,531,970
Impairment loss recognised in respect of goodwill (included in administrative expenses) *(Note 18)*	**–**	179,741
Impairment loss recognised in respect of trade receivables (included in administrative expenses) *(Note 24)*	**960,815**	–
Impairment loss recognised in respect of other receivables (included in administrative expenses) *(Note 25)*	**6,025,680**	–
Net foreign exchange losses	**1,364,419**	1,913,611
Minimum lease payments under operating leases	**2,881,071**	2,866,130
Research and development costs	**3,618,504**	803,371

14. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share for the year is based on the loss for the year attributable to equity holders of the Company of RMB21,047,126 (2007: profit of RMB921,031) and the weighted average of 647,058,824 (2007: 647,058,824) ordinary shares in issue during the year.

No diluted (loss) earnings per share has been presented for the two years ended 31 December 2008 and 2007 as there were no diluting events existed during those years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

15. DIRECTORS' AND SUPERVISORS' REMUNERATIONS AND FIVE HIGHTEST PAID EMPLOYEES

Directors' remunerations

The emoluments paid or payable to each of the fourteen (2007: sixteen) directors were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Executive Directors								
Xiao Bing	**–**	–	**402,666**	835,108	**11,080**	7,752	**413,746**	842,860
Professor Xiao Liangyong (appointed on 30 November 2007)	**–**	–	**673,680**	56,140	**–**	–	**673,680**	56,140
Zuo Hong (appointed on 20 May 2007)	**–**	–	**214,252**	105,593	**2,124**	–	**216,376**	105,593
Zhou Tianyou (resigned on 20 May 2007)	**–**	–	**–**	120,398	**–**	2,730	**–**	123,128
Liang Zhijun (resigned on 11 September 2007)	**–**	–	**–**	123,964	**–**	–	**–**	123,964
Non-executive directors								
Cong Chunshui (appointed on 19 November 2008)	**–**	–	**1,000**	–	**–**	–	**1,000**	–
Lin Deqiong (appointed on 19 November 2008)	**–**	–	**1,000**	–	**–**	–	**1,000**	–
Li Wenqi	**–**	–	**6,000**	6,000	**–**	–	**6,000**	6,000
Sun Wenguo	**–**	–	**6,000**	3,500	**–**	–	**6,000**	3,500
Luo Maosheng (appointed on 20 May 2007)	**–**	–	**6,000**	3,500	**–**	–	**6,000**	3,500
Wang Jing (resigned on 19 November 2008)	**–**	–	**5,000**	6,000	**–**	–	**5,000**	6,000
Xing Changling (appointed on 20 May 2007 and resigned on 19 November 2008)	**–**	–	**5,000**	3,500	**–**	–	**5,000**	3,500
Liu Yongqiang (resigned on 20 May 2007)	**–**	–	**–**	23,500	**–**	–	**–**	23,500
Wang Ke (resigned on 20 May 2007)	**–**	–	**–**	2,500	**–**	–	**–**	2,500
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 (appointed on 20 May 2007)	**–**	–	**36,000**	21,000	**–**	–	**36,000**	21,000
Wang Pengcheng (resigned on 20 May 2007)	**–**	–	**–**	15,000	**–**	–	**–**	15,000
Total	**–**	–	**1,428,598**	1,397,703	**13,204**	10,482	**1,441,802**	1,408,185

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

Directors' remunerations *(continued)*

The emoluments paid or payable to each of the eight (2007: six) supervisors were as follows:

	Fees		Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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)	**–**	–	**3,500**	–	**–**	–	**3,500**	–
Chen Hua (appointed on 3 June 2008)	**–**	–	**36,827**	–	**2,520**	–	**39,347**	–
Xu Hao (appointed on 3 June 2008)	**–**	–	**24,450**	–	**–**	–	**24,450**	–
Liu Yongqiang (appointed on 20 May 2007)	**–**	–	**36,000**	–	**–**	–	**36,000**	–
Mei Jie (appointed on 20 May 2007 and resigned on 3 June 2008)	**–**	–	**18,355**	218,707	**646**	646	**19,001**	219,353
Yang Jun (appointed on 20 May 2007 and resigned on 3 June 2008)	**–**	–	**2,500**	3,500	**–**	–	**2,500**	3,500
Sun Guilian (resigned on 3 June 2008)	**–**	–	**–**	43,918	**–**	–	**–**	43,918
Gu Linqiang (resigned on 19 May 2007)	**–**	–	**–**	2,500	**–**	–	**–**	2,500
Liu Jiyang (resigned on 19 May 2007)	**–**	–	**–**	15,000	**–**	–	**–**	15,000
Total	**–**	–	**157,632**	319,625	**3,166**	646	**160,798**	320,271

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 2008 and 2007.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2007: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2007: three) highest paid individuals were as follows:

	2008	2007
	RMB	*RMB*
Salaries and other benefits	**782,423**	780,998
Retirement benefit scheme contributions	**15,880**	22,512
	798,303	803,510

The emoluments of the three (2007: three) highest paid employees fall in the following bands:

	2008 Number of employees	2007 Number of employees
Nil to RMB1,000,000	**3**	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 2008 and 2007.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvement	Properties under construction	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Cost							
At 1 January 2007	55,322,509	40,909,305	17,609,870	5,248,808	279,710	64,056,997	183,427,199
Additions	6,292,223	2,656,144	491,683	–	–	8,689,574	18,129,624
Transfer	57,436,259	14,952,727	–	–	–	(72,388,986)	–
Disposals	(27,841,266)	(9,256,183)	(5,496,756)	(645,873)	(279,710)	–	(43,519,788)
At 31 December 2007	91,209,725	49,261,993	12,604,797	4,602,935	–	357,585	158,037,035
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
Accumulated depreciation and impairment							
At 1 January 2007	5,673,942	20,689,702	10,324,140	2,511,668	47,317	–	39,246,769
Charge for the year	3,116,270	5,449,272	2,128,397	585,183	222,393	–	11,501,515
Impairment loss recognised in consolidated income statement	–	1,531,970	–	–	–	–	1,531,970
Eliminated on disposals	(4,625,860)	(4,305,671)	(3,051,380)	(472,711)	(269,710)	–	(12,725,332)
At 31 December 2007	4,164,352	23,365,273	9,401,157	2,624,140	–	–	39,554,922
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
Net carrying values							
At 31 December 2008	89,125,606	24,661,299	2,312,267	1,457,772	–	2,600	117,559,544
At 31 December 2007	87,045,373	25,896,720	3,203,640	1,978,795	–	357,585	118,482,113

The buildings are situated on land held under medium-term land use right in the PRC, and the carrying values of RMB23,905,725 (2007: RMB25,193,732) have been pledged to the banks to secure the Group's bank borrowings.

During the year ended 31 December 2007, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to technical obsolescence. Accordingly, an impairment loss of RMB1,531,970 has been recognised in respect of plant and machinery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

17. PREPAID LEASE PAYMENTS

	RMB
Cost	
At 1 January 2007	12,695,357
Disposal	(11,676,883)
At 31 December 2007, 1 January 2008 and 31 December 2008	1,018,474
Amortisation	
At 1 January 2007	1,339,092
Provided for the year	139,881
Eliminated on disposal	(1,350,769)
At 31 December 2007 and 1 January 2008	128,204
Provided for the year	20,777
At 31 December 2008	148,981
Net carrying values	
At 31 December 2008	869,493
At 31 December 2007	890,270

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.

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

	2008	2007
	RMB	*RMB*
Analysed for reporting purpose as:		
– current assets	**20,777**	20,785
– non-current assets	**848,716**	869,485
	869,493	890,270

As at 31 December 2008, prepaid lease payments with carrying value of RMB869,493 (2007: RMB890,270) has been pledged to the banks to secure the Group's bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

18. GOODWILL

	2008	2007
	RMB	*RMB*
Cost		
At 1 January	**5,016,504**	–
Arising on acquisition of additional equity interests in subsidiaries	**–**	5,016,504
At 31 December	**5,016,504**	5,016,504
Impairment		
At 1 January	**179,741**	–
Impairment loss recognised during year	**–**	179,741
At 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 20.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

19. INTANGIBLE ASSETS

	Development costs RMB (Note a)	Technological know-how RMB	Total RMB
Cost			
At 1 January 2007	41,123,358	70,855,100	111,978,458
Addition through internal development	4,952,911	–	4,952,911
Disposal *(Note b)*	–	(60,855,100)	(60,855,100)
At 31 December 2007	46,076,269	10,000,000	56,076,269
At 1 January 2008	46,076,269	10,000,000	56,076,269
Addition through internal development	5,903,046	–	5,903,046
At 31 December 2008	51,979,315	10,000,000	61,979,315
Accumulated amortisation and impairment			
At 1 January 2007	12,604,017	13,095,010	25,699,027
Provided for the year	8,550,345	7,198,205	15,748,550
Eliminated on disposals	–	(12,959,882)	(12,959,882)
At 31 December 2007	21,154,362	7,333,333	28,487,695
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 consolidated income statement	5,659,730	–	5,659,730
At 31 December 2008	36,148,949	8,333,333	44,482,282
Net carrying values			
At 31 December 2008	15,830,366	1,666,667	17,497,033
At 31 December 2007	24,921,907	2,666,667	27,588,574

The directors conducted a review of the Group's intangible assets as at 31 December 2008 and considered that certain development costs are unlikely to have any future value in use. Accordingly, an impairment loss of RMB5,659,730 has been recognised in the consolidated income statement.

19. INTANGIBLE ASSETS *(continued)*

Notes:

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

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

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

On 22 December 2007, the Company entered into the 4-party Agreement with Jia Zai, Haitian HK and Datang Mobile. Pursuant to the 4-parties Agreement, Datang Mobile and Jia Zai agreed that the TD-SCDMA Technology Licence Agreement and the Manufacturing Agreement should be terminated upon the completion of the Acquisition. Datang Mobile returned RMB60,000,000 received under the TD-SCDMA Technology Licence Agreement, of which RMB45,458,800 was set off against the consideration payable by the Company for the Acquisition, RMB10,541,200 was set off against the balance of an equivalent amount owed by Jia Zai to Datang Mobile and the balance of RMB4,000,000 was paid by Datang Mobile to Jia Zai in cash.

(c) As at 31 December 2008 and 2007, the technological know-how represents the technological knowledge and skill used for developing and manufacturing WLL/PHS antennas and the base station antenna for GSM/CDMA mobile telecommunication system. The technological know-how was previously held by Professor Xiao Liangyong ("Professor Xiao"), founder of the Company. According to the shareholder agreement entered into between the shareholders of the Company on 16 June 2000, it was agreed that the technological know-how held by Professor Xiao be injected into the Company at an amount of RMB10,000,000 as part of his contribution to the increase in paid-up capital in September 2000.

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

20. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill in Note 18 was derived from the acquisition of the additional equity interests in Jia Zai and Xian Hi-tech, respectively. The carrying amount of goodwill as at 31 December 2008 allocated to Jia Zai is as follows:

	Goodwill	
	2008	2007
	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 2008, 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 12-year period (2007: 13-year period) which represents the remaining operating period of Jia Zai, and a discount rate of 12% (2007: 15%). 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.

21. AVAILABLE-FOR-SALE FINANCIAL ASSET

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

	2008	2007
	RMB	*RMB*
Cost		
At 1 January	**280,000**	280,000
Less: impairment loss recognised	**(280,000)**	(280,000)
At 31 December	**–**	–

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

22. 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 RMB9,110,716 (2007: RMB2,492,699) represents deposits placed by the Group which will be expired over one year from the balance sheet date 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:

	2008	2007
Amounts denominated in:		
RMB	**18,920,004**	6,582,440

Bank balances and pledged bank deposits amounted to RMB19,997,075 (2007: RMB9,239,802) 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:

	2008	2007
United Stated Dollar ("USD")	**170,096**	371,500
Hong Kong Dollar	**7,665**	3,154

23. INVENTORIES

	2008 ***RMB***	2007 *RMB*
Raw materials	**10,861,405**	10,505,078
Work in progress	**11,775,199**	7,249,038
Finished goods	**16,059,927**	21,925,918
	38,696,531	39,680,034
Less: allowance for inventories	**(8,836,997)**	(5,108,354)
	29,859,534	34,571,680

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

24. TRADE AND BILLS RECEIVABLES

	2008 RMB	2007 RMB
Trade receivables	**115,564,349**	109,360,760
Bills receivables	**–**	61,010
Less: impairment loss recognised	**(16,869,717)**	(15,908,902)
	98,694,632	93,512,868

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

	2008 RMB	2007 RMB
0 – 60 days	**29,599,632**	38,222,025
61 – 120 days	**8,726,388**	12,149,726
121 – 180 days	**9,325,879**	9,536,020
181 – 240 days	**13,758,876**	3,893,680
241 – 365 days	**1,670,249**	1,266,358
Over 365 days	**35,613,608**	28,445,059
	98,694,632	93,512,868

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

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

	2008 RMB	2007 RMB
At 1 January	**15,908,902**	16,909,802
Impairment loss recognised to the consolidated income statement	**960,815**	–
Impairment loss reversed to the consolidated income statement	**–**	(997,697)
Amount written-off	**–**	(3,203)
At 31 December	**16,869,717**	15,908,902

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

24. TRADE AND BILLS RECEIVABLES *(continued)*

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

	2008	2007
	RMB	*RMB*
241 – 365 days	**1,670,249**	1,266,358
1 to 2 years	**24,652,902**	9,110,233
Over 2 years	**10,960,706**	19,334,826
Total	**37,283,857**	29,711,417

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

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

	2008	2007
USD	**1,247,247**	2,252,890

The trade receivables of RMB4,449,905 (2007: RMB6,780,000) has been pledged to the banks to secure the Group's bank borrowings.

25. OTHER RECEIVABLES AND PREPAYEMENT

Included in other receivables and prepayment is an amount of RMB11,197,969 (2007: RMB9,605,089) in respect of advances to employees. The advances are interest-free, unsecured and repayable on demand.

At each of the balance sheet date, the Group's other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the aging analysis and current business relationship. The movement in the impairment of other receivables is as follows:

	2008	2007
	RMB	*RMB*
At 1 January	**–**	–
Impairment loss recognised to the consolidated income statement	**6,025,680**	–
At 31 December	**6,025,680**	–

26. AMOUNTS DUE FROM (TO) DIRECTORS

	Balance at 31 December 2008 *RMB*	Balance at 1 January 2008 *RMB*	Maximum amount outstanding during the year *RMB*
Due from:			
Liang Zhijun *(note a)*	–	36,891	36,891
Xiao Bing *(note b)*	609,314	607,919	678,024
Zuo Hong *(note b)*	–	20,000	20,000
	609,314	664,810	
Due to:			
Professor Xiao Liangyong *(note b)*	(2,717,650)	(2,697,595)	
Zuo Hong *(note b)*	(283,000)	–	
	(3,000,650)	(2,697,595)	

Notes:

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

(b) Professor Xiao Liangyong, 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 are repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

27. AMOUNTS DUE FROM RELATED PARTIES

Name of related parties	Relationship	*Notes*	Balance at 31 December 2008 *RMB*	Balance at 1 January 2008 *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*	346,929	57,278	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*	2,229,375	2,844,191	2,844,191
Fang Xi	Financial controller	*i & iv*	370,518	217,416	370,518
			2,946,822	3,118,885	

Notes:

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

(ii) The amount included receivable arising from sales of goods of RMB49,651 (2007: nil) to 海通天綫.

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

(iv) The amount included a loan to Mr. Fang Xi of RMB150,000 (2007: RMB150,000) and cash advance of RMB220,518 (2007: RMB67,416).

28. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2008 ***RMB***	2007 *RMB*
Aged:		
0 – 60 days	**27,848,330**	23,499,554
61 – 120 days	**1,058,912**	5,288,447
121 – 365 days	**14,122,627**	17,936,308
Over 365 days	**23,626,893**	16,544,420
	66,656,762	63,268,729

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

29. BANK AND OTHER BORROWINGS

	2008	2007
	RMB	*RMB*
Bank borrowings	**80,449,905**	86,780,000
Other borrowings	**7,000,000**	6,600,000
	87,449,905	93,380,000
Analysed as:		
Secured	**19,449,905**	21,780,000
Unsecured	**68,000,000**	71,600,000
	87,449,905	93,380,000

At 31 December 2008, the bank borrowings born fixed-rate interest ranging from 6.12% to 11.21% (2007: 6.48% to 10.53%) per annum and are repayable within one year.

At 31 December 2008, other borrowings born fixed-rate interest ranging from 13% to 15% (2007: non-interest bearing) and are repayable on demand.

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:

	2008	2007
	RMB	*RMB*
Buildings	**23,905,725**	25,195,732
Land lease premium held for own use	**869,493**	890,270
Trade receivables	**4,449,905**	6,780,000
	29,225,123	32,866,002

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 35.

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

	2008	2007
USD	**652,450**	–

30. DEFERRED TAX

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

As at 31 December 2008, the Group has unused tax losses of approximately RMB35,190,903 (2007: RMB34,092,890) 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 2008, the Group also had deductible temporary differences of RMB23,996,522 (2007: RMB5,251,574). 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 utilized.

31. SHARE CAPITAL

	Number of shares		Registered,
Share of RMB0.10 each	**Domestic shares**	**H shares**	**issued and fully paid**
			RMB
At 31 December 2007 and 2008	485,294,118	161,764,706	64,705,882

32. RESERVES

(a) Statutory Surplus Reserve

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

(b) 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 equity holders as at 31 December 2008 and 31 December 2007.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

33. OPERATING LEASE COMMITMENTS

At 31 December 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2008 RMB	2007 RMB
Within one year	1,478,572	2,701,671
In the second to fifth year, inclusive	–	1,317,636
	1,478,572	4,019,307

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

34. CAPITAL COMMITMENTS

	2008 RMB	2007 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	1,019,333	4,915,637

35. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties are set out in the consolidated balance sheet and notes 26 and 27 respectively.

(b) During the year ended 31 December 2008, the Group paid rental for the lease of land of RMB2,635,271 (2007: RMB2,635,271) to 海天投資.

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 financial controller of the Company. The lease was for three years and was negotiated at arms-length basis and on commercial terms in the same manner as other outsiders. The details were outlined in the Company's announcement dated 6 July 2006.

(c) During the year ended 31 December 2008, the Group sold goods of RMB199,596 (2007: Nil) to 海通天綫.

(d) During the year ended 31 December 2008, Mr. Xiao Bing, an executive director of the Company and Ms. Chen Jing, wife of Mr. Xiao Bing; Mr. Fang Xi, financial controller of the Company and Ms. Zhang Dandan, wife of Mr. Fang Xi, provided personal guarantees to a third party. In return, the third party provides a guarantee to secure a bank borrowings amounting to RMB10,000,000 granted to the Group (2007: RMB10,000,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

35. RELATED PARTY TRANSACTIONS *(continued)*

(e) During the year ended 31 December 2008, 海天投資 had pledged a land to a bank to secure the bank borrowings amounting to RMB44,000,000 granted to the Group. In addition, 海天投資 also provided a corporate guarantee to a bank to secure a bank borrowing amounting to RMB7,000,000 granted to the Group. During the year ended 31 December 2007, 海天投資 provided a corporate guarantee to a third party to secure an other borrowing amounting to RMB6,600,000 granted to the Group.

(f) As at 31 December 2008, other borrowings amounted to RMB5,000,000 and bank borrowings amounted to RMB7,000,000 were secured by the properties of Professor Xiao, the executive director of the Company.

(g) During the year ended 31 December 2008, Mr. Xiao Bing, an executive director of the Company, provided personal guarantees to secure an other borrowing amounting to RMB2,000,000 and bank borrowings amounting to RMB4,449,905 granted to the Group.

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

36. RETIREMENT BENEFITS SCHEME

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

As of 31 December 2008 and 2007, the Group had no significant obligation apart from the contribution as stated above.

37. GOVERNMENT GRANTS

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

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

The Group received an additional subsidies of RMB705,080 during the year ended 31 December 2008 (2007: RMB6,305,000). The Group utilised partial of the subsidies and recognised an amount of RMB1,067,340 as other revenue in 2008 (2007: RMB5,505,000) while the remaining unused subsidies of RMB437,740 is then included in other payables and accrued charges as at 31 December 2008 (2007: RMB800,000).

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

The Group received an additional subsidies of RMB1,140,000 during the year ended 31 December 2008 (2007: RMB1,030,000). The Group utilised the entire subsidies and amount of of RMB1,662,769 was recognised as other revenue in 2008 (2007: RMB1,508,148). The remaining unused subsidies of RMB522,769 as recorded in other payables and accrued charges as at 31 December 2007 are fully utilised during the year ended 31 December 2008.

Amount of RMB1,177,539 had been deducted in the related expenses in the consolidated income statement for the year ended 31 December 2007 (2008: Nil).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

37. GOVERNMENT GRANTS *(continued)*

(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 2008, an amount of RMB1,023,494 is released to other revenue over the useful lives of the relevant property, plant and equipment (2007: RMB1,023,494). The remaining unamortised subsidies of RMB1,496,833 is then included in other payables and accrued charges as at 31 December 2008 (2007: RMB2,520,327).

38. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2007, pursuant to the 4-parties Agreement, Datang Mobile and Jia Zai agreed that the TD-SCDMA Technology Licence Agreement and the Manufacturing Agreement should be terminated upon the completion of the Acquisition. Datang Mobile returned RMB60,000,000 received under the TD-SCDMA Technology Licence Agreement, of which RMB45,458,800 was set off against the consideration payable by the Company for the Acquisition, RMB10,541,200 was set off against the balance of an equivalent amount owed by Jia Zai to Datang Mobile and the balance of RMB4,000,000 was paid by Datang Mobile to Jia Zai in cash.

39. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2008 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 2008 and 2007.

All subsidiaries within the Group are directly held by the Company as at 31 December 2008 and 2007.

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Financial Summary

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
			(Restated)		
RESULTS					
Turnover	200,999,236	176,889,046	117,119,020	135,011,375	**152,020,094**
Profit (loss) before tax	17,096,606	16,004,066	(75,052,377)	886,978	**(21,107,861)**
Income tax (expense) credit	(2,079,248)	(611,391)	268,451	21,867	**60,735**
Profit (loss) for the year	15,017,358	15,392,675	(74,783,926)	908,845	**(21,047,126)**

	As at 31 December				
	2004	2005	2006	2007	**2008**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
			(Restated)		
ASSETS AND LIABILITIES					
Total assets	477,089,046	469,291,553	469,823,149	352,607,574	**331,882,384**
Total liabilities	(244,384,110)	(230,699,824)	(260,606,546)	(183,074,422)	**(183,396,358)**
Shareholders' funds	232,704,936	238,591,729	209,216,603	169,533,152	**148,486,026**