



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

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

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on the bases and assumptions that are fair and reasonable.*

* For identification purpose only

HIGHLIGHTS

- During the six months ended 30 June 2009, unaudited gross profit amounted to RMB21.5 million, gross profit margin was 28.5%, represented a significant decrease when compared to the gross profit margin of 43.6% for the corresponding period in the year 2008.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

INTERIM RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board (the “Board”) of Directors hereby submits the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2009, together with the unaudited comparative figures for the corresponding period in the year 2008 as follows:

Condensed Consolidated Income Statements

	<i>Notes</i>	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2009	2008	2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	39,220	88,659	75,359	98,637
Cost of sales		(26,878)	(46,414)	(53,854)	(55,644)
Gross profit		12,342	42,245	21,505	42,993
Other operating income		3,049	1,275	4,018	1,308
Distribution costs		(3,670)	(2,894)	(10,631)	(7,367)
Administrative expenses		(9,199)	(12,019)	(20,892)	(21,694)
(Loss)/profit from operations	5	2,522	28,607	(6,000)	15,240
Finance costs		(2,590)	(2,433)	(4,688)	(4,668)
(Loss)/profit before taxation		(68)	26,174	(10,688)	10,572
Income tax expense	6	(57)	(1)	(103)	(1)
Net (loss)/profit for the period		(125)	26,173	(10,791)	10,571
Attributable to:					
Equity holders of the Company		(125)	26,173	(10,791)	10,571
Dividend	7	–	–	–	–
Basic (loss)/earning per share (in RMB cents)	8	(0.02)	4.04	(1.67)	1.63

Consolidated Statement of Comprehensive Income

	(Unaudited)		(Unaudited)	
	For the three months ended 30 June		For the six months ended 30 June	
	2009	2008	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit attributable to the equity holders of the Company	(125)	26,173	(10,791)	10,571
Other comprehensive income	—	—	—	—
Total comprehensive (loss)/income attributable to the equity holders of the Company	<u>(125)</u>	<u>26,173</u>	<u>(10,791)</u>	<u>10,571</u>

Condensed Consolidated Balance Sheet

	<i>Notes</i>	As at 30 June 2009 <i>RMB'000</i> (unaudited)	As at 31 December 2008 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	125,797	117,559
Prepaid lease payments		–	849
Goodwill		4,837	4,837
Intangible assets		17,230	17,497
Pledged bank deposits		6,073	9,111
		<u>153,937</u>	<u>149,853</u>
CURRENT ASSETS			
Inventories		49,601	29,859
Trade and bills receivables	10	103,828	98,695
Prepaid lease payments		–	21
Other receivables and prepayments		44,730	38,920
Amounts due from directors		677	609
Amounts due from related parties		7,079	2,947
Pledged bank deposits		5,960	2,316
Bank balances and cash		23,464	8,662
		<u>235,339</u>	<u>182,029</u>
CURRENT LIABILITIES			
Trade payables	11	58,517	66,657
Other payables and accrued charges		25,043	20,072
Dividend payables		1,487	1,487
Amounts due to a director		2,284	3,001
Tax liabilities		50	4,129
Bank and other borrowings		63,600	87,450
		<u>150,981</u>	<u>182,796</u>
NET CURRENT ASSETS		<u>84,358</u>	<u>(767)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>238,295</u>	<u>149,086</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		600	600
Bank borrowings		100,000	–
		<u>100,600</u>	<u>600</u>
NET ASSETS		<u>137,695</u>	<u>148,486</u>
CAPITAL AND RESERVES			
Share capital		64,706	64,706
Reserves		72,989	83,780
TOTAL EQUITY		<u>137,695</u>	<u>148,486</u>

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2009

	Share capital <i>RMB'000</i> (unaudited)	Share premium <i>RMB'000</i> (unaudited)	Statutory surplus reserve <i>RMB'000</i> (unaudited)	Retained profits (accumu- lated losses) <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
At 1 January 2008	64,706	71,229	16,153	17,445	169,533
Net profit for the period	—	—	—	10,571	10,571
	<u>64,706</u>	<u>71,229</u>	<u>16,153</u>	<u>28,016</u>	<u>180,104</u>
At 30 June 2008					
At 1 January 2009	64,706	71,229	16,153	(3,602)	148,486
Net loss for the period	—	—	—	(10,791)	(10,791)
	<u>64,706</u>	<u>71,229</u>	<u>16,153</u>	<u>(14,393)</u>	<u>137,695</u>
At 30 June 2009					

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

	2009 <i>RMB'000</i> (unaudited)	2008 <i>RMB'000</i> (unaudited)
Net cash (used in)/generated from operating activities	<u>(35,258)</u>	<u>6,258</u>
Net cash used in investing activities		
Purchase of property, plant and equipment	(13,399)	(7,883)
Other investing cash flows	<u>(7,286)</u>	<u>(1,955)</u>
	<u>(20,685)</u>	<u>(9,838)</u>
Net cash generated from financing activities:		
Repayment of borrowings	(23,850)	(33,380)
New borrowings raised	100,000	54,606
Other financing cash flows	<u>(5,405)</u>	<u>(7,866)</u>
	<u>70,745</u>	<u>13,360</u>
Net increase in cash and cash equivalents	14,802	9,780
Cash and cash equivalents at 1 January	<u>8,662</u>	<u>6,205</u>
Cash and cash equivalents at 30 June represented by bank balances and cash	<u>23,464</u>	<u>15,985</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

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

2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008.

3. TURNOVER

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

Turnover breakdown by nature of revenue:

	For the three months ended 30 June		For the six months ended 30 June	
	2009 RMB’000	2008 RMB’000	2009 RMB’000	2008 RMB’000
Sales of goods	30,693	82,935	63,075	92,145
Service income	8,527	5,724	12,284	6,492
	<u>39,220</u>	<u>88,659</u>	<u>75,359</u>	<u>98,637</u>

4. SEGMENT INFORMATION

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

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

	For the six months ended 30 June 2009			For the six months ended 30 June 2008		
	The People's Republic of China (the "PRC") RMB'000	Other countries RMB'000	Consolidated RMB'000	The PRC RMB'000	Other countries RMB'000	Consolidated RMB'000
Revenue	<u>72,397</u>	<u>2,962</u>	<u>75,359</u>	<u>30,027</u>	<u>68,610</u>	<u>98,637</u>
Segment result	<u>14,108</u>	<u>(2,600)</u>	<u>11,508</u>	<u>(5,468)</u>	<u>36,631</u>	<u>31,163</u>
Unallocated corporate expenses			(17,508)			(15,923)
Finance costs			<u>(4,688)</u>			<u>(4,668)</u>
(Loss)/profit before taxation			<u>(10,688)</u>			10,572
Income tax expense			<u>(103)</u>			<u>(1)</u>
(Loss)/profit for the period			<u>(10,791)</u>			<u>10,571</u>

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

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

5. (LOSS)/PROFIT FROM OPERATIONS

	For the three months ended 30 June		For the six months ended 30 June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
(Loss)/profit from operations has been arrived at after charging:				
Directors' and supervisors' remuneration	439	376	845	800
Other staff costs	5,593	4,896	11,170	9,007
Retirement benefit scheme contributions (excluding those of directors and supervisors)	365	298	692	525
Total staff costs	6,397	5,570	12,707	10,332
Less: Staff costs included in research and development costs	(509)	(379)	(1,006)	(575)
Staff costs capitalised in development costs	(525)	(449)	(1,080)	(1,024)
	5,362	4,742	10,621	8,733
Auditors' remuneration				
Audit services	110	230	220	390
Other services	–	–	–	–
Cost of inventories recognised in the income statement	23,491	44,407	44,042	53,367
Depreciation and amortisation of property, plant and equipment	2,028	2,813	4,495	4,523
Less: Depreciation and amortisation included in research and development costs	(897)	(897)	(1,620)	(1,620)
Depreciation and amortisation capitalised in development costs	(116)	(116)	(406)	(406)
	1,015	1,800	2,469	2,497
Amortisation of development cost (included in other operating expenses)	1,475	2,195	2,949	4,538
Amortisation of technological know-how (included in other operating expenses)	250	250	500	500
Amortisation of prepaid lease payments (included in administrative expenses)	5	5	10	10
Total depreciation and amortisation	2,745	4,250	5,929	7,545

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

	For the three months ended 30 June		For the six months ended 30 June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Loss on disposal of property, plant and equipment	-	67	-	67
Research and development costs	2,079	2,195	4,339	4,538
Less: Development costs capitalised	(1,386)	(1,532)	(2,894)	(2,791)
	693	663	1,445	1,747
Interest expenses on borrowings	2,590	2,434	4,688	4,668
Less: Amount capitalised	-	(152)	-	(152)
	2,590	2,282	4,688	4,516
and after crediting:				
Interest income	27	23	37	38

6. INCOME TAX EXPENSE

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 amount represents provision for EIT on the estimated assessable profits of certain subsidiaries for the three and six months ended 30 June 2009. Income tax expense for subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant country.

7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: Nil).

8. BASIC (LOSS)/EARNING PER SHARE

The calculation of the basic (loss)/earning per share is based on the unaudited net loss for the three months and six months ended 30 June 2009 of RMB125,000, and RMB10,791,000 respectively (net profit for the three months and six months ended 30 June 2008 of RMB26,173,000, and RMB10,571,000 respectively) divided by 647,058,824 shares in issue (2008: 647,058,824 shares).

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

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB13.4 million (2008: RMB7.9 million) on acquisition of property, plant and equipment.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2009 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>
Trade receivables	120,697	115,564
<i>Less: Impairment loss recognised</i>	<u>(16,869)</u>	<u>(16,869)</u>
	<u>103,828</u>	<u>98,695</u>

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

	As at 30 June 2009 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>
Age		
0 to 60 days	32,476	29,600
61 to 120 days	23,289	8,726
121 to 180 days	8,654	9,326
181 to 240 days	14,436	13,759
241 to 365 days	5,771	1,670
Over 365 days	<u>19,202</u>	<u>35,614</u>
	<u>103,828</u>	<u>98,695</u>

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

11. TRADE PAYABLES

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

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Age		
0 to 60 days	45,702	27,848
61 to 120 days	2,592	1,059
121 to 365 days	9,939	14,123
Over 365 days	284	23,627
	<u>58,517</u>	<u>66,657</u>

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

12. CAPITAL COMMITMENTS

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
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	<u>2,626</u>	<u>1,019</u>

MANAGEMENT DISCUSSION AND ANALYSIS

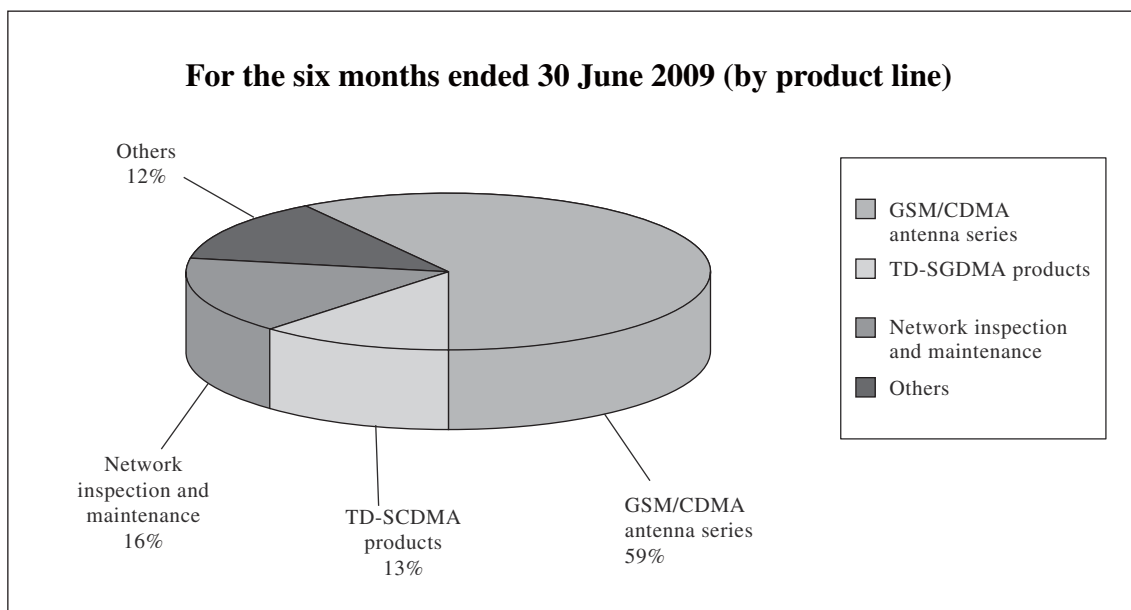
Business Review

Turnover

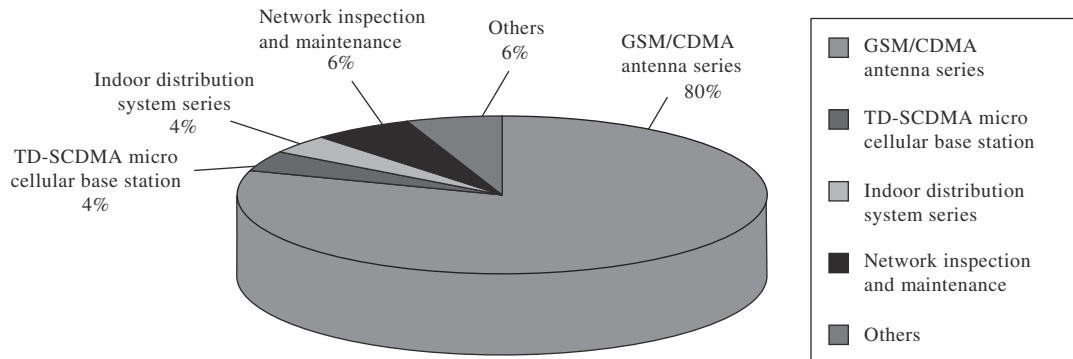
The Group recorded an unaudited turnover of RMB75.36 million for the six months ended 30 June 2009 (“Review Period”), representing a decrease of 23.6% compared with the unaudited turnover for the corresponding period in the year 2008. The global financial crisis and tightened credit market affected the economy of most of the countries over the world. Our development of international market especially the Indian market was affected significantly. The contribution of export sales revenue dropped from 70% for the six months ended 30 June 2008 to 4% for the current period.

Fortunately, the 3G business in the PRC had been commenced in January 2009 and China Mobile Group started the bulk purchases of TD-SCDMA products during the period. Therefore, it contributed 13% to total sales revenue for the six months ended 30 June 2009 while only 4% to total sales revenue came from this type of products for the corresponding period in the year 2008.

Composite of sales by product line for the six months ended 30 June 2009, together with the comparative figures for the corresponding period in the year 2008, are provided as follows:

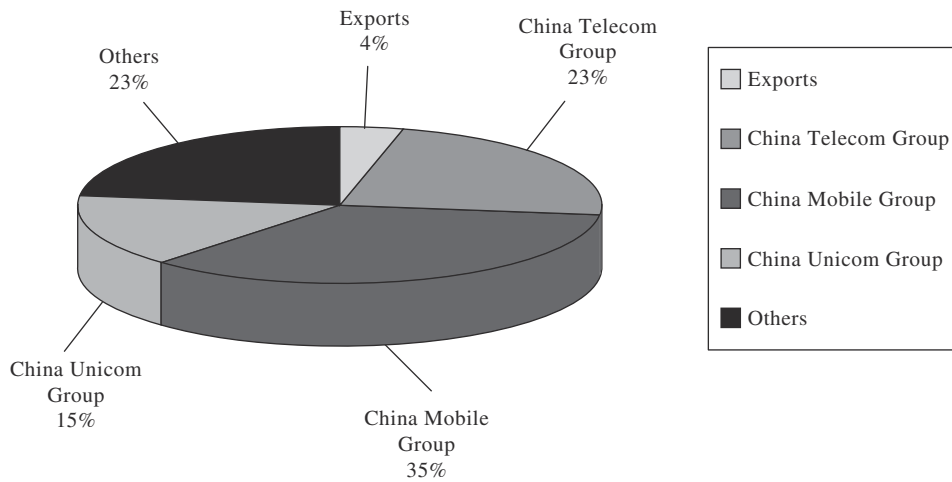


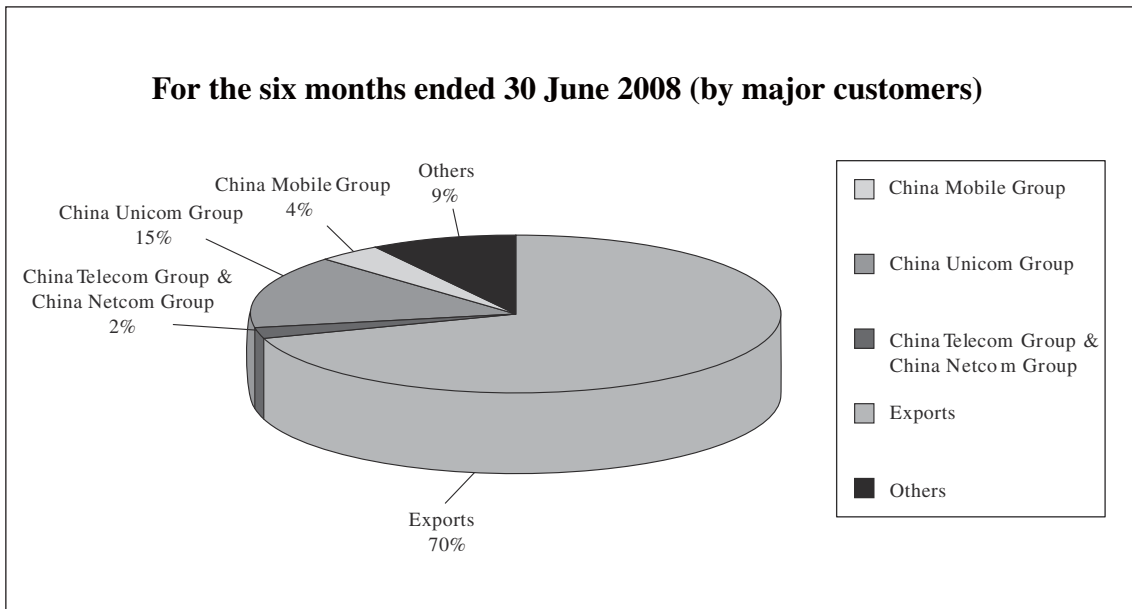
For the six months ended 30 June 2008 (by product line)



Composite of turnover by major customers for the six months ended 30 June 2009, together with the comparative figures for the corresponding period in the year 2008, are provided as follows:

For the six months ended 30 June 2009 (by major customers)





Legend:

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

China Netcom Group 中國網絡通信有限公司 (China Netcom Corporation Limited) and its subsidiaries and branch companies (collectively “China Netcom Group”)

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

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

Gross Profit

During the six months ended 30 June 2009, unaudited gross profit amounted to RMB21.5 million. Gross profit margin was 28.5%, representing a decrease of 15.1% when compared to that of 43.6% for the corresponding period in the year 2008. The decrease was mainly attributable to the significant decline of contribution from export sales which the gross profit margin doubled to the domestic sales for the six months ended 30 June 2009. The abovementioned decrease was partly offset by the growth of sales for higher profit margin products such as high value-added remote electrical tilt antenna and TD-SCDMA products in the domestic sales during the six months period this year.

Other Operating Income

Other operating income has increased by 1.1 times or RMB2.7 million to RMB4.0 million compared with the corresponding period in the year of 2008. The significant increase was mainly attributable to the increase of government subsidies for the six months ended 30 June 2009.

Operating Costs and Expenses

Distribution costs for the six months ended 30 June 2009 amounted to RMB10.63 million, representing an increase of RMB3.26 million or 44.2% compared with the corresponding period in the year 2008. The increase was mainly attributable to the increase of agency fees and promotion expenses on the TD-SCDMA products for the six months ended 30 June 2009.

Administrative expenses had reduced by RMB0.8 million or 3.7% to RMB20.9 million compared with the corresponding period in the year 2008. The decrease was mainly attributable to the reduction of staff costs by simplifying the human resources in the administrative department.

During the Review Period, finance costs amounted to RMB4.69 million representing a slight increase of 0.4% as compared with the corresponding period in the year 2008. Although the average amount of bank borrowings during the six months period of 2009 higher than the corresponding period in the year 2008, the average interest rate was decreased by 4-5% per annum in the current period.

Net Profit

For the six months ended 30 June 2009, the Group recorded unaudited losses of RMB10.8 million, comparing with an earning of RMB10.57 million for the corresponding period last year. The turnaround was mainly attributable to the decrease in gross profit margin as the significant reduction of export sales revenue.

PROSPECTS

The official operations of 3G telecommunications in the PRC had commenced in January 2009 and the telecommunication operators were expected to spend the investments of over RMB280 billion on the construction of 3G networks in the coming two years. The Group will continue to strengthen the research and developments on new 3G products. The Group will also utilize the technical advantages to capture the implausible business development opportunities on this market and increase its contribution to the total sales revenue.

In the meantime, the Group will continue to enhance the market share of base station antenna market for the existing 2G network in the PRC, and the high value-added remote electrical tilt antenna products are expected to have a satisfactory contribution to the Group's revenue continually.

In addition, there are many symptoms to demonstrate that the global economy become stable in the near future. The Group will continue to develop the overseas markets and capture the enormous business opportunities once their economies are recovered.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's bank borrowings increased from RMB80.4 million as at 31 December 2008 to RMB160 million which included RMB100 million of long-term borrowings and RMB60 million of short-term borrowings as at 30 June 2009. These bank borrowings were mainly used for the Group's daily operations and acquisition of property, plant and equipment.

As at 30 June 2009, all of the Group's bank borrowings bear interest at fixed interest rates ranging from 5.6% to 8.0% per annum. Since all the bank borrowings were denominated in Renminbi, exposure to foreign exchange risk was minimal.

During the reporting period, the Group's gearing ratio increased to 118.8% (as at 31 December 2008: 58.9%), which is calculated based on total borrowings of RMB163.6 million over total shareholders' fund of RMB137.7 million. Cash and cash equivalents increased from RMB8.7 million to RMB23.5 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and mainly denominated in Renminbi, which are directly related to the Group's business in the areas of the currencies concerned.

CHARGES ON GROUP'S ASSETS

As at 30 June 2009, the Company pledged bank deposits with a total amount of RMB12.0 million and buildings of net book value of RMB99.4 million for banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group and the Company did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2009, the Group was not exposed to any significant foreign exchange risk as majority of the Group's transactions were denominated in Renminbi. Hence, no financial instrument for hedging was employed.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group had 1,119 full-time employees. Total staff costs for the six months ended 30 June 2009 amounting to RMB12.7 million (six months ended 30 June 2008: RMB10.3 million), including remuneration of the Directors and members of supervisory committee (the “Supervisors”) and staff costs included in research and development costs and capitalized. The Group reviews employee remuneration from time to time and increases are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending on the financial performance of the Group. The Group has not granted any share options to the Directors and its full-time employees.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries, during the six months ended 30 June 2009 and as at the balance sheet date, the Group did not hold other investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 30 June 2009, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to RMB2.6 million (as at 31 December 2008: RMB1.0 million). Save as disclosed herein the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2009, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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

As at 30 June 2009, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company, including their respective associates, in the shares (the “Shares”), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Domestic Shares of the Company

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

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

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

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2009 as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2009, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

* *For identification purpose only*

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

As at 30 June 2009, the following persons or entities (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(A) Substantial shareholders of the Company

Long positions in Domestic Shares of the Company

Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Tian An Investment	Corporate	Beneficial owner	180,000,000 (Note 1)	37.09%	27.81%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.81%
西安開元控股集團 股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited*)	Corporate	Beneficial owner	100,000,000	20.60%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706	15.47%	11.60%
Mr. Zhang Yinghua (張英華先生)	Personal	Held by controlled corporation	75,064,706 (Note 2)	15.47%	11.60%

* For identification purpose only

Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
西安國際信託投資有限公司 (Xi'an International Trust & Investment Co., Ltd.*, "XITIC")	Corporate	Beneficial owner	70,151,471	14.45%	10.84%
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.45%	10.84%
上海証大投資管理有限公司 (Shanghai Zendai Investment Management Co., Ltd.*) ("Shanghai Zendai")	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.45%	10.84%

Notes:

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

* For identification purpose only

(B) Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

Long positions in Domestic Shares of the Company

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

Long positions in H Shares of the Company

Name of shareholder	Type of interest	Capacity	Number of H Shares held in the Company	Approximate percentage in the total issued H Shares of the Company	Approximate percentage in the total issued share capital of the Company
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 (Note 2)	8.04%	2.00%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 (Note 2)	6.50%	1.62%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 (Note 2)	5.43%	1.35%

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.

* For identification purpose only

Save as disclosed above, as at 30 June 2009, the Directors, Supervisors and chief executives of the Company were not aware of any person (other than the Directors, Supervisors and chief executives of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

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

AUDIT COMMITTEE

An audit committee of the Company (the “Audit Committee”) was established on 4 April 2003 with terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 June 2009, the Audit Committee comprised of Mr. Lei Huafeng and Professor Gong Shuxi, independent non-executive Directors, and Mr. Li Wenqi, a non-executive Director. The Group’s unaudited consolidated results for the six months ended 30 June 2009 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2009, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2009, the Company has adopted a code of conduct for securities transactions by Directors (the “Code”), which is no less exacting than the required standard of dealings of securities by Directors as set out in Rule 5.48 to 5.67 of the GEM Listing Rules. In addition, the Company has made specific inquiry with all the Directors, and has not been notified of any noncompliance with the standard of dealings of securities by Directors and the Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2009.

By order of the Board
Professor Xiao Liangyong
Chairman

Xi’an, the PRC, 7 August 2009

* *For identification purpose only*

As at the date of this announcement, the Board comprises Professor Xiao Liangyong (肖良勇教授), Mr. Xiao Bing (肖兵先生) and Mr. Zuo Hong (左宏先生) being executive Directors; Mr. Luo Maosheng (羅茂生先生), Mr. Sun Wenguo (孫文國先生), Mr. Li Wenqi (李文琦先生), Mr. Cong Chunshui (叢春水先生) and Mr. Lin Deqiong (林德瓊先生) being non-executive Directors; and Professor Gong Shuxi (龔書喜教授), Mr. Lei Huafeng (雷華鋒先生) and Mr. Qiang Wenyu (強文郁先生), being independent non-executive Directors.

This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for at least 7 days from the day of its posting.