



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

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

Xi'an Haitian
Antenna Technologies

interim report 10

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

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

* For identification purpose only

HIGHLIGHTS

- During the six months ended 30 June 2010, unaudited gross profit amounted to RMB4.7 million, gross profit margin was 24.2%, represented a slight decrease when compared to the gross profit margin of 28.5% for the corresponding period in the year 2009.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of Directors of the company (the "Board") hereby submits the unaudited operating results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2010, together with the unaudited comparative figures for the corresponding period in the year 2009 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	3	7,586	39,220	19,578	75,359
Cost of sales		(6,161)	(26,878)	(14,841)	(53,854)
Gross profit		1,425	12,342	4,737	21,505
Other revenue		264	3,049	511	4,018
Distribution costs		(3,759)	(3,670)	(9,420)	(10,631)
Administrative expenses		(11,097)	(9,199)	(22,378)	(20,892)
Finance costs		(2,061)	(2,590)	(4,584)	(4,688)
Loss before tax		(15,228)	(68)	(31,134)	(10,688)
Income tax expense	5	–	(57)	–	(103)
Loss for the period and total comprehensive expenses for the period	6	(15,228)	(125)	(31,134)	(10,791)
Loss per share					
– Basic (in RMB cents)	8	(2.35)	(0.02)	(4.81)	(1.67)

Condensed Statement of Financial Position

	<i>Notes</i>	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	114,445	121,319
Prepaid lease payments		817	828
Goodwill		4,837	4,837
Intangible assets		14,364	14,699
Pledged bank deposits		2,200	6,062
		136,663	147,745
Current assets			
Inventories		44,633	33,446
Trade receivables	10	101,295	135,777
Prepaid lease payments		21	21
Other receivables and prepayments		44,192	45,845
Amounts due from directors		96	823
Amounts due from related parties		9,747	9,783
Pledged bank deposits		3,874	4,126
Bank balances and cash		11,960	16,122
		215,818	245,943
Current liabilities			
Trade payables	11	84,086	85,821
Other payables and accrued charges		26,154	39,430
Dividend payables		1,487	1,487
Amounts due to directors		3,137	1,836
Tax liabilities		1,009	1,009
Bank and other borrowings		71,637	58,000
		187,510	187,583
Net current assets		28,308	58,360
Total assets less current liabilities		164,971	206,105

<i>Notes</i>	As at 30 June 2010 RMB'000 (unaudited)	As at 31 December 2009 RMB'000 (audited)
Non-current liabilities		
Bank and other borrowings	69,600	79,600
Deferred taxation	600	600
	70,200	80,200
Net assets	94,771	125,905
Capital and reserves attributable to owners of the company		
Share capital	64,706	64,706
Reserves	30,065	61,199
Total equity	94,771	125,905

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2010*

	Share capital	Share premium	Statutory surplus reserve	Other reserve	Accumu- lated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2009	64,706	71,229	16,153	–	(3,602)	148,486
Loss for the period and total comprehensive expenses for the period	–	–	–	–	(10,791)	(10,791)
At 30 June 2009	64,706	71,229	16,153	–	(14,393)	137,695
At 1 January 2010	64,706	71,229	16,153	3,939	(30,122)	125,905
Loss for the period and total comprehensive expenses for the period	–	–	–	–	(31,134)	(31,134)
At 30 June 2010	64,706	71,229	16,153	3,939	(61,256)	94,771

Condensed Statement of Cash Flow*For the six months ended 30 June 2010*

	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Net cash from (used in) operating activities	771	(35,258)
Investing activities		
Purchase of property, plant and equipment	(3,542)	(13,399)
Other investing cash flows	(1,723)	(7,286)
Net cash used in investing activities	(5,265)	(20,685)
Financing activities		
Repayment of loans	(34,846)	(23,850)
New loans raised	38,483	100,000
Other financing cash flows	(3,305)	(5,405)
Net cash from financing activities	332	70,745
Net increase (decrease) in cash and cash equivalents	(4,162)	14,802
Cash and cash equivalents at 1 January	16,122	8,662
Cash and cash equivalents at 30 June represented by bank balances and cash	11,960	23,464

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

This unaudited condensed consolidated financial statements 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 financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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

2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009.

3. TURNOVER

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.

	For the three months ended 30 June		For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover				
Sales of antennas and related products	2,831	30,693	11,827	63,075
Service income	4,755	8,527	7,751	12,284
	7,586	39,220	19,578	75,359

4. SEGMENT INFORMATION

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

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

	For the six months ended 30 June 2010			For the six months ended 30 June 2009		
	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	19,210	368	19,578	72,397	2,962	75,359
Segment result	4,770	(33)	4,737	14,108	(2,600)	11,508
Unallocated corporate expenses			(31,287)			(17,508)
Finance costs			(4,584)			(4,688)
Loss before tax			(31,134)			(10,688)
Income tax expense			-			(103)
Loss for the period			(31,134)			(10,791)

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. INCOME TAX EXPENSE

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 either period (2009: nil).

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

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%.

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 PRC.

6. LOSS FOR THE PERIOD

	For the three months ended 30 June		For the six months ended 30 June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Loss for the year is arrived at after charging:				
Depreciation for property, plant and equipment	2,390	2,028	4,585	4,495
Less: Depreciation and amortisation included in research and development costs	(631)	(897)	(1,291)	(1,620)
Depreciation and amortisation capitalised in development costs	(116)	(116)	(406)	(406)
	1,643	1,015	2,888	2,469
Amortisation of development costs	1,355	1,475	2,712	2,949
Amortisation of technological know-how	250	250	500	500
Amortisation of prepaid lease payments	5	5	10	10
Total depreciation and amortisation	3,253	2,745	6,110	5,928
Auditors' remuneration				
– audit services	105	110	210	220
– other services	–	–	–	–
Cost of inventories recognised as expenses	5,399	23,491	13,382	44,042
Staff costs				
– Directors' and supervisors' remuneration	436	439	872	845
– Salaries, wages and other benefits	5,685	5,593	11,764	11,170
– Retirement benefit scheme contributions (excluding directors and supervisors)	358	365	722	692
Total staff costs	6,479	6,397	13,358	12,707
Less: staff costs included in research and development costs	(527)	(509)	(1,055)	(1,006)
Staff costs capitalised in development costs	–	(525)	–	(1,080)
	5,952	5,363	12,303	10,621

	For the three months ended 30 June		For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Loss on disposal of property, plant and equipment	-	-	-	-
Allowance for inventories (included in cost of sales)	-	-	-	-
Impairment losses recognised in respect of intangible assets (included in administrative expenses)	-	-	-	-
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	-	-	-	-
Impairment loss recognised in respect of other receivables (included in administrative expenses)	-	-	-	-
Net foreign exchange losses	-	-	-	-
Minimum lease payments under operating leases	1,623	1,021	3,399	2,043
Research and development costs	2,604	2,079	4,546	4,339
Less: Development costs capitalised	(1,483)	(1,386)	(2,877)	(2,894)
	1,121	693	1,669	1,445
Interests on bank and borrowings	2,071	2,590	4,606	4,688
Less: Amount capitalised	-	-	-	-
	2,071	2,590	4,606	4,688
and after crediting:				
Interest income	11	27	26	37

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited loss for the three months and six months ended 30 June 2010 attributable to owners of the Company of RMB15,228,000 and RMB31,134,000 respectively (unaudited loss for the three months and six months ended 30 June 2009 of RMB125,000 and RMB10,791,000 respectively) and the weighted average of 647,058,824 (2009: 647,058,824) ordinary shares in issue during the period.

No diluted loss per share have been presented as there were no diluting events existed during either period.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB3.5 million (2009: RMB13.4 million) on acquisition of property, plant and equipment.

10. TRADE RECEIVABLES

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade receivables	115,371	151,136
Less: Impairment loss recognised	(14,076)	(15,359)
	101,295	135,777

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

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
0 to 60 days	5,361	74,074
61 to 120 days	11,438	34,225
121 to 180 days	23,611	2,801
181 to 240 days	21,958	1,489
241 to 365 days	10,808	1,044
Over 365 days	28,119	22,144
	101,295	135,777

At the end of each reporting period, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised.

11. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
0 to 60 days	26,722	35,252
61 to 120 days	13,842	13,009
121 to 365 days	13,970	22,024
Over 365 days	29,552	15,536
	84,086	85,821

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

12. CAPITAL COMMITMENTS

	As at 30 June 2010 RMB'000	As at 31 December 2009 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	3,213	3,898

MANAGEMENT DISCUSSION AND ANALYSIS

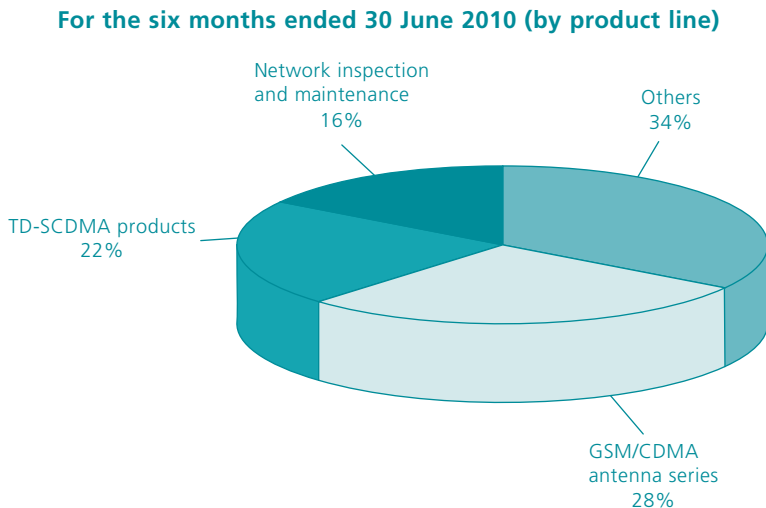
Business Review

Turnover

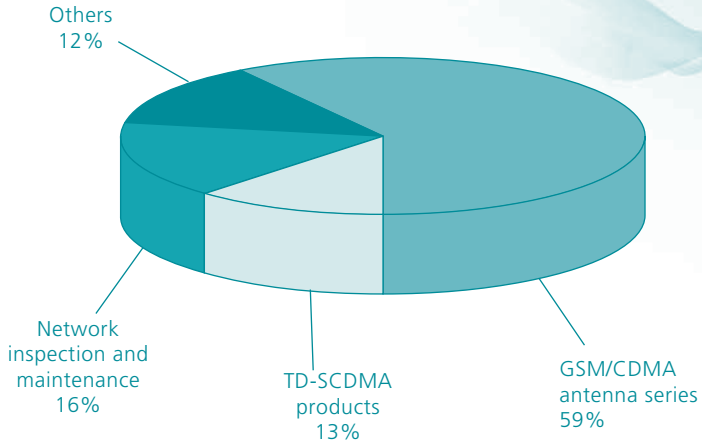
The Group recorded an unaudited turnover of RMB19.58 million for the six months ended 30 June 2010 ("Review Period"), representing a decrease of 74.0% compared with the unaudited turnover for the corresponding period in the year 2009. The global financial crisis and tightened credit market affected the economy of most of the countries over the world in previous years that our international markets are still not recovered and our sales are mainly depended on the PRC customers.

During the Reviewed Period, the three major telecommunication operators in PRC postponed their bulk purchases to the second half of 2010 in order to optimise their existing network and construction. Therefore we concentrated on the development of new products and raised our product quality for the forthcoming product testing and tender.

Composite of sales by product line for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in the year 2009, are provided as follows:

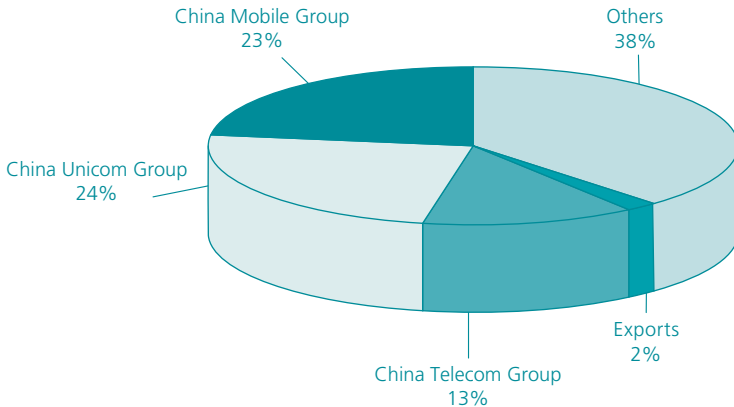


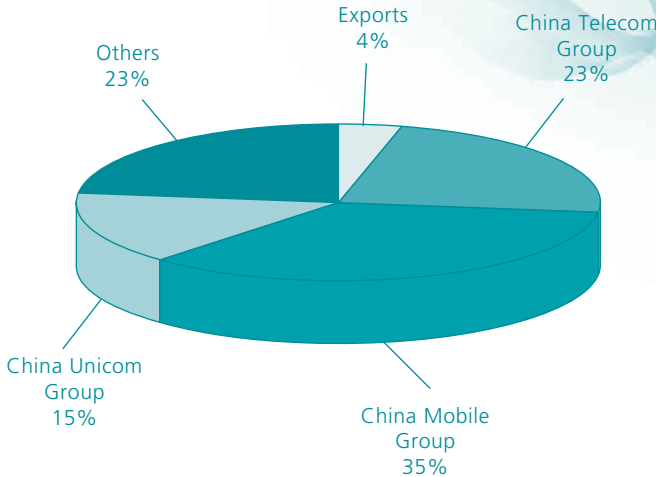
For the six months ended 30 June 2009 (by product line)



Composite of turnover by major customers for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in the year 2009, are provided as follows:

For the six months ended 30 June 2010 (by major customers)



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 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 2010, unaudited gross profit amounted to RMB4.7 million. Gross profit margin was 24.2%, representing a decrease of 4.3% when compared to that of 28.5% for the corresponding period in the year 2009. The decrease was mainly attributable to the significant decline in turnover during the six months ended 30 June 2010 that the fixed costs of sales such as depreciation and salaries have lowered the gross profit margin in certain extent.

Other Operating Income

Other operating income has reduced by RMB3.5 million to RMB0.5 million compared with the corresponding period in the year of 2009. The significant decrease was mainly attributable to the decrease of government subsidies for the six months ended 30 June 2010.

Operating Costs and Expenses

Distribution costs for the six months ended 30 June 2010 amounted to RMB9.4 million, representing an decrease of RMB1.2 million or 11.4% compared with the corresponding period in the year 2009. Although less agency fees and no bonus were recorded during the period, the percentage decrease in distribution costs was still smaller than the percentage decrease in sales revenue in the current period because of higher transportation costs and additional operating costs for newly established sales office incurred.

Administrative expenses have increased by RMB1.5 million or 7.1% to RMB22.4 million compared with the corresponding period in the year 2009. The increase was mainly attributable to the higher operating lease rentals incurred for the Review Period.

During the Review Period, finance costs amounted to RMB4.6 million representing a slight decrease of 2.2% as compared with the corresponding period in the year 2009 as the average amount of bank borrowings during the six months period of 2010 was lower than the corresponding period in the year 2009.

Loss for the period

For the six months ended 30 June 2010, the Group recorded unaudited loss of RMB31.1 million, comparing with unaudited loss of RMB10.8 million for the corresponding period last year. The large decrease in turnover with relatively fixed operating costs and expenses are the main reasons for such unfavourable operating loss.

PROSPECTS

The bulk purchases of the three major telecommunication operators have been carried out and our products have satisfactory results from the product testing. Regarding to our good reputation on products and well-established business relationship, we have confident to become one of qualified suppliers for the tender and the sales to be recovered in the following months.

The new high-end products including dual antenna for 2G and 3G network, new series of TD-SCDMA with multi-antenna, new variant of 3G products and efficient energy source integrated antenna are ready for sales and have obtained good comments from the trial stage by potential customers. It is believed that these new products would contribute another stream of income to the group in the second half of this year.

LIQUIDITY AND FINANCIAL RESOURCES

During the reporting period, the Group was mainly financed by cash from banking facilities.

The Group's bank borrowings increased from RMB137.6 million as at 31 December 2009 to RMB141.2 million which included RMB69.6 million of long-term borrowings and RMB71.6 million of short-term borrowings as at 30 June 2010. These bank borrowings were mainly used for the Group's daily operations and acquisition of property, plant and equipment.

As at 30 June 2010, all of the Group's bank borrowings bear interest at fixed interest rates ranging from 5.34% to 15% 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 148.9% (as at 31 December 2009: 109.3%), which is calculated based on total borrowings of RMB141.2 million over total shareholders' fund of RMB94.8 million. Cash and cash equivalents decreased from RMB16.1 million to RMB12.0 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 2010, the Group pledged bank deposits of approximately RMB3.9 million, buildings of carrying value of approximately RMB22.6 million and land lease premium held for own use of carrying value of approximately RMB0.8 million for banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2010, 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 2010, the Group had 922 full-time employees. Total staff costs for the six months ended 30 June 2010 amounting to RMB13.4 million (six months ended 30 June 2009: RMB12.7 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 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 on 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, during the six months ended 30 June 2010 and as at the balance sheet date, the Group did not hold any significant investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 30 June 2010, the Group had capital expenditure contracted for but not provided in the financial statements in respect of construction cost on properties under construction and acquisition of property, plant and equipment amounted to approximately RMB3.2 million (as at 31 December 2009: RMB3.9 million). Save as disclosed herein the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2010, 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 2010, 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	180,000,000 (Note 1)	37.09%	27.82%
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.82%
Mr. Zuo Hong (左宏先生)	Personal	Held by controlled corporation	75,064,706 (Note 2)	15.47%	11.60%

Note 1: The Domestic Shares were held by 西安天安投資有限公司 (Xi'an Tian An Investment Company Limited*) (“Tian An Investment”), which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by Ms. Yao Wenli. 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 Mr. Zhang Yinghua in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Mr. Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2010 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 2010, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

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

As at 30 June 2010, 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%	27.82%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.82%
西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited*)	Corporate	Beneficial owner	100,000,000	20.61%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706 (Note 2)	15.47%	11.60%
Mr. Zhang Yinghua (張英華先生)	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 (Xi'an International Trust & Investment Co., Ltd.*)	Corporate	Beneficial owner	70,151,471 (Note 3)	14.46%	10.84%

Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.46%	10.84%
上海証大投資管理 有限公司 (Shanghai Zendai Investment Management Co., Ltd.*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.46%	10.84%

Notes:

1. The Domestic Shares were held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by Ms. Yao Wenli. By virtue of the SFO, Ms. Yao Wenli was deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.
2. The Domestic Shares were held by Shenzhen Huitai, which is beneficially owned by Mr. Zuo Hong and Mr. Zhang Yinghua in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Mr. Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.
3. The Domestic Shares were held by Xi'an International Trust & Investment Co., Ltd. ("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.*)	Corporate	Beneficial owner	54,077,941 (Note 1)	11.14%	8.36%
京泰實業(集團) 有限公司 (Beijing Holdings (Group) Limited*)	Corporate	Held by controlled corporation	54,077,941 (Note 1)	11.14%	8.36%

Long positions in H Shares of the Company

Name of substantial shareholder	Type of interest	Capacity	Number of H Shares held in the Company	Approximate percentage in the total issued H Shares of the Company	Approximate percentage in the total issued share capital of the Company
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 (Note 2)	8.04%	2.01%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 (Note 2)	6.50%	1.63%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 (Note 2)	5.44%	1.36%

Notes:

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

Save as disclosed above, as at 30 June 2010, 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 which has or may have 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 2010, 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 2010 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 2010, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2010, 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 Rule 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 for dealings and the code of conduct regarding securities transactions by the Directors.

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 2010.

By order of the Board
Professor Xiao Liangyong
Chairman

Xi'an, the PRC, 13 August 2010

* For identification purpose only

As at the date of this report, the Board comprises Professor Xiao Liangyong (肖良勇教授), Mr. Xiao Bing (肖兵先生) and Mr. Zuo Hong (左宏先生) being executive Directors; Mr. 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. Xie Yiqun (解益群先生) 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.