



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

\* for identification purposes only

2011 INTERIM REPORT

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

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*This report, for which the directors (the “Directors”) of Xi’an Haitian Antenna Technologies Co., Ltd.\* (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

\* For identification purpose only

## HIGHLIGHTS

- During the six months ended 30 June 2011, unaudited gross profit amounted to RMB3.2 million and gross profit margin was 11.8% which represented a large decrease when compared to the gross profit margin of 24.2% for the corresponding period in the year 2010.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of Directors of the Company (the “Board”) hereby submits the unaudited operating results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2011, together with the unaudited comparative figures for the corresponding period in the year 2010 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	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	3	16,340	7,586	27,238	19,578
Cost of sales		(14,824)	(6,161)	(24,017)	(14,841)
Gross profit		1,516	1,425	3,221	4,737
Other revenue		3,092	264	3,434	511
Distribution costs		(2,528)	(3,759)	(4,397)	(9,420)
Administrative expenses		(7,107)	(11,097)	(14,180)	(22,378)
Finance costs		(1,527)	(2,061)	(2,293)	(4,584)
Loss before tax		(6,554)	(15,228)	(14,215)	(31,134)
Income tax expense	4	–	–	–	–
Loss for the period and total comprehensive expense for the period	5	(6,554)	(15,228)	(14,215)	(31,134)
Loss per share – Basic and diluted (in RMB cents)	7	(1.01)	(2.35)	(2.20)	(4.81)

## Condensed Consolidated Statement of Financial Position

		<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2011</b> <b>RMB'000</b>	(Audited) As at 31 December 2010 RMB'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>112,436</b>	115,960
Prepaid lease payments		<b>807</b>	807
Intangible assets		<b>11,678</b>	9,833
Pledged bank deposits		<b>2,200</b>	2,200
		<b>127,121</b>	128,800
<b>Current assets</b>			
Inventories		<b>33,494</b>	31,270
Trade and bills receivables	9	<b>70,466</b>	90,537
Other receivables and prepayments		<b>27,887</b>	17,281
Prepaid lease payments		<b>21</b>	21
Amounts due from directors		<b>96</b>	–
Amounts due from related parties		<b>401</b>	401
Tax recoverable		<b>–</b>	3,888
Pledged bank deposits		<b>4,620</b>	677
Bank balances and cash		<b>1,742</b>	30,280
		<b>138,727</b>	174,355
<b>Current liabilities</b>			
Trade and bills payables	10	<b>84,997</b>	84,607
Other payables and accrued charges		<b>48,560</b>	24,332
Dividend payables		<b>676</b>	1,487
Amounts due to directors		<b>9,128</b>	10,243
Amounts due to related parties		<b>55,050</b>	44,237
Bank and other borrowings		<b>27,990</b>	83,941
		<b>226,401</b>	248,847
<b>Net current liabilities</b>		<b>(87,674)</b>	(74,492)
<b>Total assets less current liabilities</b>		<b>39,447</b>	54,308

	Notes	(Unaudited) As at 30 June 2011 RMB'000	(Audited) As at 31 December 2010 RMB'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		600	600
Deferred income		7,522	8,168
		<b>8,122</b>	<b>8,768</b>
<b>Net assets</b>			
		<b>31,325</b>	<b>45,540</b>
<b>Capital and reserves</b>			
Share capital		64,706	64,706
Reserves		(33,381)	(19,166)
<b>Equity attributable to owners of the Company and total equity</b>			
		<b>31,325</b>	<b>45,540</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	(Unaudited) Share capital RMB'000	(Unaudited) Share premium RMB'000	(Unaudited) Statutory surplus reserve RMB'000	(Unaudited) Other reserve RMB'000	(Unaudited) Accumu- lated losses RMB'000	(Unaudited) Total RMB'000
At 1 January 2010	64,706	71,229	16,153	3,939	(30,122)	125,905
Total comprehensive expense for the period	-	-	-	-	(31,134)	(31,134)
At 30 June 2010	64,706	71,229	16,153	3,939	(61,256)	94,771
At 1 January 2011	64,706	71,229	16,153	3,939	(110,487)	45,540
Total comprehensive expense for the period	-	-	-	-	(14,215)	(14,215)
<b>At 30 June 2011</b>	<b>64,706</b>	<b>71,229</b>	<b>16,153</b>	<b>3,939</b>	<b>(124,702)</b>	<b>31,325</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	<b>(Unaudited)</b> <b>2011</b> <b>RMB'000</b>	(Unaudited) 2010 RMB'000
Net cash from operating activities	<b>26,312</b>	771
Investing activities		
Purchase of property, plant and equipment	<b>(542)</b>	(3,542)
Expenditure on product development	<b>(2,378)</b>	(2,877)
Other investing cash flows	<b>(4,267)</b>	1,154
Net cash used in investing activities	<b>(7,187)</b>	(5,265)
Financing activities		
New bank borrowings raised	<b>24,390</b>	38,483
Government grants received	<b>1,261</b>	–
Repayment of bank and borrowings	<b>(70,477)</b>	(34,846)
Other financing cash flows	<b>(2,837)</b>	(3,305)
Net cash (used in) from financing activities	<b>(47,663)</b>	332
Net decrease in cash and cash equivalents	<b>(28,538)</b>	(4,162)
Cash and cash equivalents at 1 January	<b>30,280</b>	16,122
Cash and cash equivalents at 30 June represented by bank balances and cash	<b>1,742</b>	11,960



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 GEM of the Stock Exchange.

The Group are principally engaged in research and development, manufacture and sale of base station antennas 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 2010.

### 3. REVENUE

Revenue 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.

Revenue breakdown by nature:

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Sales of antennas and related products	8,118	2,831	12,550	11,827
Service income	8,222	4,755	14,688	7,751
	<b>16,340</b>	7,586	<b>27,238</b>	19,578

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

Revenue breakdown by geographical locations:

	<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 June</b>		<b>(Unaudited)</b> <b>For the six months</b> <b>ended 30 June</b>	
	<b>2011</b> <b>RMB'000</b>	2010 <i>RMB'000</i>	<b>2011</b> <b>RMB'000</b>	2010 <i>RMB'000</i>
PRC	<b>16,182</b>	7,511	<b>27,053</b>	19,210
Others	<b>158</b>	75	<b>185</b>	368
	<b>16,340</b>	7,586	<b>27,238</b>	19,578

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.

#### **4. INCOME TAX EXPENSE**

No provision for Hong Kong Profits Tax has been made as companies within the Group did not have any assessable profits in Hong Kong for either period.

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%.

## 5. LOSS FOR THE PERIOD

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Loss for the period is arrived at after charging:				
Depreciation for property, plant and equipment	1,678	2,390	3,292	4,585
Amortisation of intangible assets (included in administrative expenses)	265	1,605	533	3,212
Amortisation of prepaid lease payments	–	5	–	10
<b>Total depreciation and amortisation</b>	<b>1,943</b>	<b>4,000</b>	<b>3,825</b>	<b>7,807</b>
Auditors' remuneration				
– audit services	552	105	567	210
– other services	–	–	–	–
Cost of inventories recognised as an expense	8,741	5,399	12,565	13,382
Staff costs				
– Directors' and supervisors' remuneration	388	436	776	872
– Salaries, wages and other benefits	4,170	5,685	8,869	11,764
– Retirement benefit scheme contributions (excluding directors and supervisors)	439	358	1,136	722
<b>Total staff costs</b>	<b>4,997</b>	<b>6,479</b>	<b>10,781</b>	<b>13,358</b>
Minimum lease payments under operating leases	1,587	1,623	3,078	3,399
Research and development costs recognised as an expense	926	2,604	2,215	4,546
Interests on bank and borrowings	1,529	2,071	2,297	4,606
and after crediting:				
Interest income	13	11	26	26

## 6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: nil).

## 7. 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 2011 attributable to owners of the Company of RMB6,554,000 and RMB14,215,000 respectively (unaudited loss for the three months and six months ended 30 June 2010 of RMB15,228,000 and RMB31,134,000 respectively) and the weighted average number of 647,058,824 (2010: 647,058,824) ordinary shares in issue during the period.

The diluted loss per share is equal to the basic loss per share as calculated above as the Company did not have any potential shares outstanding for the both periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB0.5 million (2010: RMB3.5 million) on acquisition of property, plant and equipment.

## 9. TRADE AND BILLS RECEIVABLES

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2011</b> <b>RMB'000</b>	(Audited) As at 31 December 2010 RMB'000
Trade receivables	<b>85,445</b>	98,747
Less: Impairment loss recognised	<b>(15,973)</b>	(16,098)
	<b>69,472</b>	82,649
Bills receivables	<b>994</b>	7,888
	<b>70,466</b>	90,537

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 presented based on the invoice date at the end of the reporting period:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>RMB'000</b>	<b>RMB'000</b>
Within 60 days	<b>5,303</b>	20,741
61 to 120 days	<b>6,533</b>	5,083
121 to 180 days	<b>1,141</b>	2,586
181 to 240 days	<b>9,834</b>	1,865
241 to 365 days	<b>2,829</b>	23,301
Over 365 days	<b>43,832</b>	29,073
	<b>69,472</b>	82,649

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

The following is an aged analysis of bills receivables presented based on the invoice date at the end of the reporting period:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>RMB'000</b>	<b>RMB'000</b>
Within 60 days	<b>994</b>	6,265
61 to 120 days	<b>—</b>	1,623
	<b>994</b>	7,888

## 10. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2011</b> <i>RMB'000</i>	(Audited) As at 31 December 2010 <i>RMB'000</i>
Within 60 days	<b>20,731</b>	5,239
61 to 120 days	<b>5,805</b>	3,363
121 to 365 days	<b>27,566</b>	34,955
Over 365 days	<b>29,971</b>	41,050
	<b>84,073</b>	84,607
Bills payables	<b>924</b>	–
	<b>84,997</b>	84,607

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.

The following is an aged analysis of bills payables presented based on the invoice date at the end of the reporting period:

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2011</b> <i>RMB'000</i>	(Audited) As at 31 December 2010 <i>RMB'000</i>
Within 60 days	<b>924</b>	–

## 11. CAPITAL COMMITMENTS

	<b>(Unaudited)</b> <b>As at</b> <b>30 June</b> <b>2011</b> <b>RMB'000</b>	(Audited) As at 31 December 2010 RMB'000
Capital expenditure in respect of construction cost on properties under construction and acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>2,928</b>	3,078

## 12. EVENTS AFTER THE REPORTING PERIOD

On 8 August 2011, the ordinary resolution regarding the agreement dated 11 June 2011 entered into between the Company as vendor and Shaanxi Haitong Antenna Company Limited\* (陝西海通天線有限責任公司) as purchaser in relation to the disposal of a land, a building and equipment by the Company (the "Agreement") was not passed by the shareholders of the Company by way of poll at the extraordinary general meeting.

Pursuant to the Agreement, the obligation of the Company under the Agreement is subject to the approval by the shareholders of the Company of the Agreement and the transactions contemplated thereunder. If the condition is not fulfilled by 15 August 2011, the rights and obligations of the parties to the Agreement shall be void but without prejudice to their rights to claim for any antecedent breach.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Revenue*

Unaudited revenue of RMB27.2 million was reported for the six months ended 30 June 2011 (the "Review Period"), representing an increase of 39.1% compared with the unaudited revenue for the corresponding period in the year 2010. This favourable change was mainly attributable to significant growth in service income by 89.5%, and price reductions on antenna products and services with increase in sales volume for the Review Period.

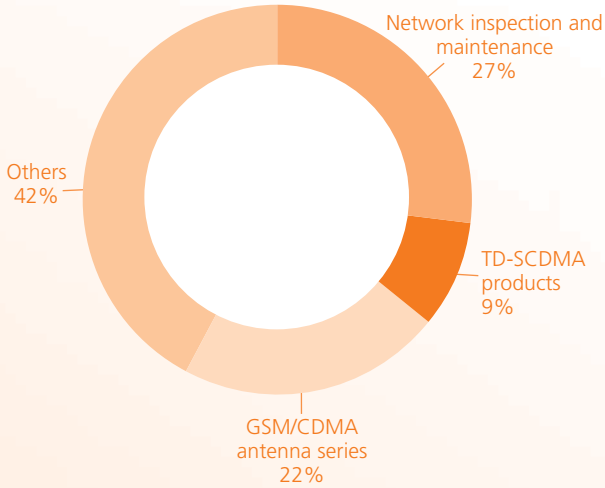
Service income was around 54% of total revenue of the Group for the Review Period, half of which was generated from network inspection and maintenance service. Revenue from products testing laboratory was about 8% of total revenue which reflected a success on new services to telecommunication operators and telecommunication products suppliers during the Review Period. Nearly 19% of total revenue was contributed by the services for indoor and outdoor signal, compared to around 12% in the corresponding period in 2010.

In respect of marketing strategy during the Review Period, the Group devoted to diversify its customer base to local agents and international suppliers for telecommunication facilities and expand its market share by lower products and services price. Revenue from the three major telecommunication operators was dropped from 60% of total revenue in the corresponding period in 2010 to 37% of total revenue in the Review Period. At the same time, less than 1% revenue was come from overseas markets as the Group concentrated on market development in mainland China.

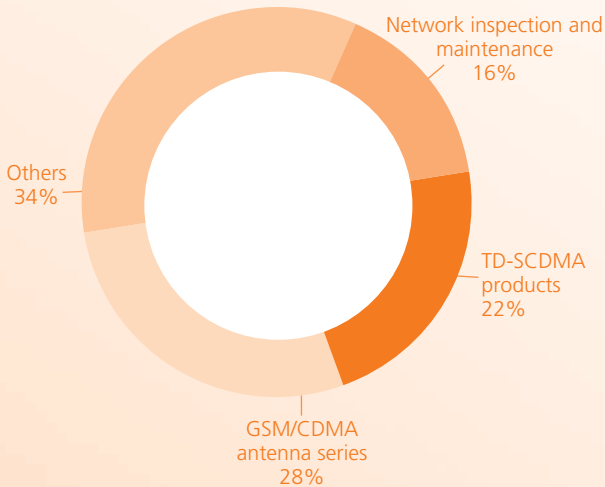


Composite of sales by product line for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in the year 2010, are provided as follows:

**For the six months ended 30 June 2011 (by product line)**

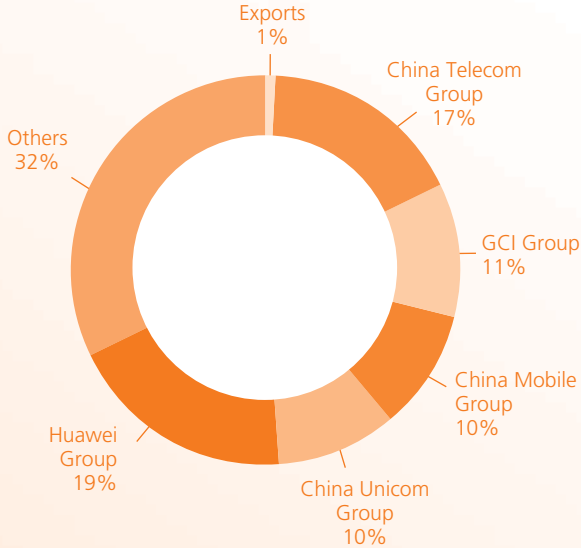


**For the six months ended 30 June 2010 (by product line)**

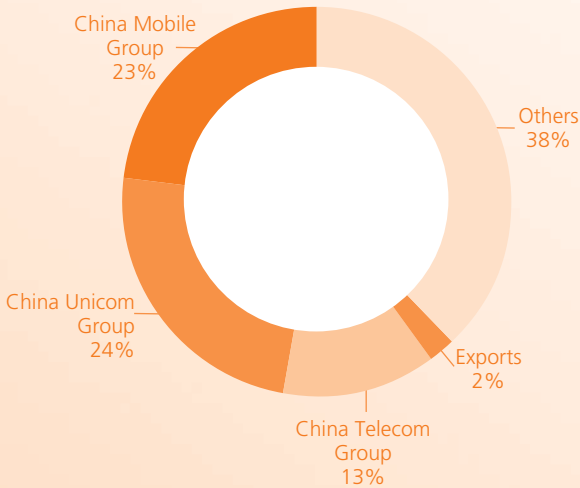


Composite of turnover by major customers for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in the year 2010, are provided as follows:

**For the six months ended 30 June 2011 (by major customers)**



**For the six months ended 30 June 2010 (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”)

Huawei Group: 華為技術有限公司 (Huawei Technologies Co., Ltd.) and its subsidiaries and branch companies (collectively “Huawei Group”)

GCI Group: 廣州傑賽科技股份有限公司 (GCI Science & Technology Co., Ltd.) and its subsidiaries and branch companies (collectively “GCI Group”)

*Gross Profit*

Fixed production costs such as wages and depreciation expenses with low production level led to higher average cost of sales. Together with reduced products and services price for market expansion resulted in decline in gross profit margin to 11.8% for the Review Period, which represented a decrease of 12.4% when comparing with 24.2% over the same period in 2010. Improvement in gross profit margin is expected if the production capacity could be utilised by further market development in the second half of this year.

*Other Revenue*

Government subsidies of RMB1.3 million and gain on debt restructuring of RMB1.0 million were recognised during the Review Period which accounted for the increase in other revenue from RMB0.5 million in the corresponding period in 2010 to RMB3.4 million.

## *Operating Costs and Expenses*

Distribution costs for the Review Period decreased significant by over 53% as compared with corresponding period in 2010 even if there was growth in revenue. Transportation costs were cut down by RMB2.2 million under the cost effective control policy and sales salaries and bonus were dropped by RMB0.5 million under the performance evaluation and incentive management approach. New marketing strategy of concentration on mainland China market development caused decrease in construction cost of new office, operating costs for sales representation offices and overseas sales agent fee by RMB0.7 million, RMB0.3 million and RMB0.7 million respectively for the Review Period.

Reduction in agency costs, amortisation of intangible assets expenses and depreciation for property, plant and equipment was the main reason for the decrease in administrative expenses from RMB22.4 million in the corresponding period in 2010 to RMB14.2 million in the Review Period, which represented a decrease of 36.6%.

As more than RMB100 million bank and other borrowings were repaid from the end of corresponding period in 2010 to the end of Review Period, the Group incurred merely RMB2.3 million finance costs which were 50% of RMB4.6 million finance costs in the corresponding period in 2010.

### *Loss for the period*

Consequently, the Group recorded an unaudited net loss of RMB14.2 million for the Review Period, representing a decrease of 54.3% comparing with the corresponding period in 2010.

## **PROSPECTS**

The Group's national certified products testing laboratory not only contributed a new source of income to it, but also exerted its strengths on technological research and development on telecommunication products. Two projects of "TD-LTE base station antenna research and development"\* ("TD-LTE基站天線的研發") and "Efficient energy source integrated antenna" ("高效節能的有源一體化天線") under the National Major Project 3 of "New generation of mobile, broadband and wireless communications network"\* ("新一代移動寬帶無線通信網") were carried out, it provided the Group a well preparation to forthcoming large-scale application of new generation mobile communication technology TD-LTE 4G network.

The Group is devoted to development and optimisation of high-end products and strengthens its market penetration by proactively broadening its customer base under the new marketing strategies. Improvements on the production process, effective control on costing and new policy on collection of trade receivables would have positive effect on Group's operating performance and financial position in the second half of 2011.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

The Group's bank borrowings decreased from RMB83.9 million as at 31 December 2010 to RMB28.0 million which were mainly financed by bank balances and net cash from operating activities.

As at 30 June 2011, all of the Group's bank borrowings bear interest at fixed interest rates ranging from 5.56% to 7.02% per annum. Since all the bank borrowings were denominated in Renminbi, exposure to foreign exchange risk was minimal.

During the reporting period, the Group's gearing ratio decreased to 89.5% (as at 31 December 2010: 184.3%), which is calculated based on total borrowings of RMB28.0 million over total shareholders' fund of RMB31.3 million. Cash and cash equivalents decreased from RMB30.3 million to RMB1.7 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 ASSETS**

As at 30 June 2011, the Group pledged bank deposits of approximately RMB6.8 million, buildings of carrying value of approximately RMB21.8 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 2011, the Group did not have any material contingent liabilities.

## **FOREIGN EXCHANGE EXPOSURE**

For the period ended 30 June 2011, 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 2011, the Group had 444 full-time employees. Total staff costs for the six months ended 30 June 2011 amounting to RMB10.8 million (six months ended 30 June 2010: RMB13.4 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 2011 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 2011, 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 RMB2.9 million (as at 31 December 2010: RMB3.1 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 2011, 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 2011, 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%

Notes:

1. The Domestic Shares were held by 西安天安投資有限公司 (Xi'an Tian An Investment Co., Ltd.\*) ("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 Co., Ltd.\*) ("Shenzhen Huitai"), which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Ms. Yi Li 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 2011 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 2011, 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 2011, 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*

<b>Name of substantial shareholder</b>	<b>Type of interest</b>	<b>Capacity</b>	<b>Number of Domestic Shares held in the Company</b>	<b>Approximate percentage in the total issued Domestic Shares of the Company</b>	<b>Approximate percentage in the total issued share capital of the Company</b>
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%



Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate	Approximate
				percentage in the total issued Domestic Shares of the Company	percentage in the total issued share capital of the Company
西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Co., Ltd.*)	Corporate	Beneficial owner	100,000,000	20.61%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706 (Note 2)	15.47%	11.60%
Ms. Yi Li (易麗女士)	Personal	Held by controlled corporation	75,064,706 (Note 2)	15.47%	11.60%
西安國際信託有限公司 (Xi'an International Trust Co., Ltd.*)	Corporate	Beneficial owner	70,151,471 (Note 3)	14.46%	10.84%
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 Ms. Yi Li in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Ms. Yi Li 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 Co., Ltd. ("XITC"). 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 XITC, were deemed to be interested in the same 70,151,471 Domestic Shares held by XITC.

**(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 2011, 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 2011, 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 2011 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 2011, the Company has complied with requirements of 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 2011, 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 2011.

By order of the Board  
**Professor Xiao Liangyong**  
Chairman

Xi'an, the PRC, 12 August 2011

\* 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. Liu Ruixuan (劉瑞軒先生), 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.*