



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 CO., LTD.

2005

First Quarterly Report

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

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

*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 (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 bases and assumptions that are fair and reasonable.*

** for identification purpose only*

HIGHLIGHTS

- **Turnover**

The Group recorded an unaudited turnover of approximately RMB22.5 million for the three months ended 31 March 2005, representing a decrease of approximately 34.2% as compared with the unaudited turnover for the corresponding period in the year 2004.

- **Gross margin**

For the three months ended 31 March 2005, unaudited gross profit of the Group amounted to approximately RMB10.7 million, comparing to the unaudited gross profit of approximately RMB15.4 million for the corresponding period in the year 2004. Gross profit margin was approximately 47.6%, increased for approximately 3 percentage points comparing with the gross profit margin of 45.0% for the corresponding period in the year 2004.

- **Operation costs and expenses**

Distribution costs for the three months ended 31 March 2005 amounted to approximately RMB9.9 million, representing a decrease of approximately RMB1.0 million or approximately 9.2% comparing with the corresponding period in the year 2004.

Administrative expenses for the three months ended 31 March 2005 slightly increased comparing with the corresponding period in the year 2004, amounting to approximately RMB5.1 million.

Other operating expenses for the three months ended 31 March 2005 increased by approximately RMB2.3 million, or 121.1%, to approximately RMB4.2 million comparing with the corresponding period in the year 2004.

Finance costs, mainly interest expenses, increased by approximately RMB0.8 million, or 61.5% comparing with the corresponding period in the year 2004, amounting to approximately RMB2.1 million.

- The Board does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2005.
- The first quarterly results of the Company has not been audited by an independent certified public accountant.

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2005

The board of Directors (the “**Board**”) hereby announces the unaudited operating results of the Company together with its subsidiary (collectively, the “**Group**”) for the three months ended 31 March 2005, together with the unaudited comparative figures for the corresponding period in the year 2004 as follows:

	Notes	(Unaudited)	
		For the three months ended 31 March	
		2005	2004
		RMB'000	RMB'000
Turnover	3	22,501	34,174
Cost of sales		(11,821)	(18,763)
Gross profit		10,679	15,411
Other operating income		200	77
Distribution costs		(9,905)	(10,925)
Administrative expenses		(5,060)	(4,852)
Other operating expenses		(4,222)	(1,862)
<hr/>			
Loss from operations		(8,308)	(2,151)
Finance costs		(2,059)	(1,311)
<hr/>			
Loss before taxation		(10,367)	(3,462)
Income tax expenses	4	-	-
<hr/>			
Loss attributable to shareholders		(10,367)	(3,462)
<hr/>			
Loss per share – Basic, RMB cents	6	(1.7)	(0.5)
<hr/>			

Notes:

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

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 quarterly financial information of the Group has been prepared in accordance with the historical cost convention and the accounting policies adopted by the Group are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2004.

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:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2005	2004
	RMB'000	RMB'000
Sales of goods	20,662	34,174
Service income	1,839	–
	22,501	34,174

Turnover breakdown by geographical locations:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2005	2004
	RMB'000	RMB'000
PRC	20,910	30,796
Overseas	1,591	3,378
	22,501	34,174

4. INCOME TAX EXPENSES

(Unaudited)
For the three months
ended 31 March
2005 2004
RMB'000 **RMB'000**

The PRC corporate income tax	-	-
------------------------------	---	---

The amount represents provisions for the PRC corporate income tax on the Group's estimated assessable profit for the relevant period.

The Company is regarded by the Xi'an Municipal Bureau of Science and Technology as a high technology enterprise located at the Xi'an National High-tech Industrial Development Zone, the People's Republic of China (the "PRC") and therefore subject to the corporate income tax rate of 15%.

5. DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2005 (2004: nil).

6. LOSS PER SHARE – BASIC

The calculation of the basic loss per share are based on the unaudited net loss for the three months ended 31 March 2005 of approximately RMB10,367,000 (2004: RMB3,462,000) divided by the total number of 647,058,824 shares (the "Shares") of the Company in issue during either period.

No diluted loss per Share have been presented because there are no potential ordinary Shares outstanding during either period.

7. RESERVES

	Share premium <i>RMB'000</i> (unaudited)	Statutory surplus reserve <i>RMB'000</i> (unaudited)	Statutory public welfare fund <i>RMB'000</i> (unaudited)	Accumulated profits <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
As at 1 January 2004	71,229	9,503	5,174	70,311	156,217
Net loss for the three months ended 31 March 2004	-	-	-	(3,462)	(3,462)
As at 31 March 2004	71,229	9,503	5,174	66,849	152,755
As at 1 January 2005	71,229	9,805	5,326	81,639	167,999
Net loss for the three months ended 31 March 2005	-	-	-	(10,367)	(10,367)
As at 31 March 2005	71,229	9,805	5,326	71,272	157,632

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

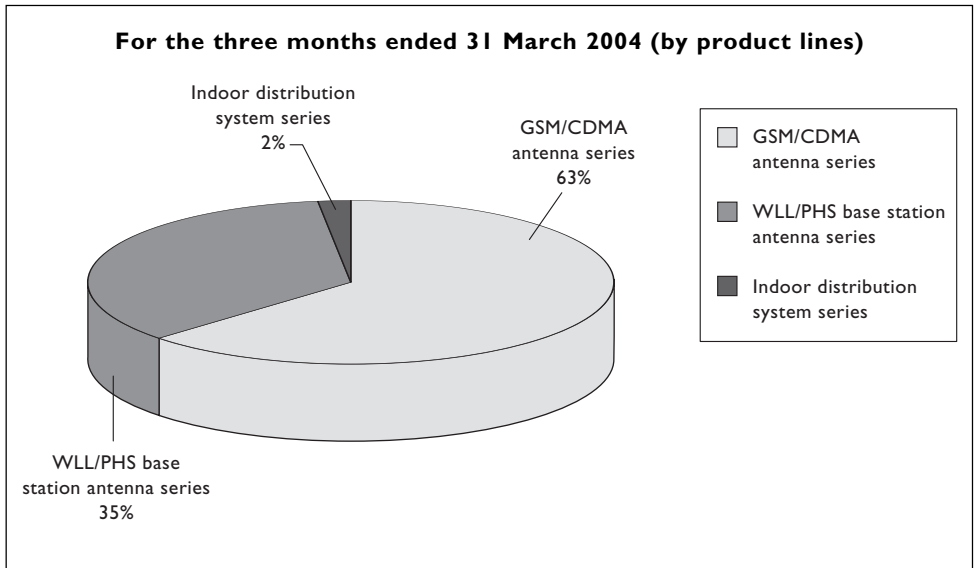
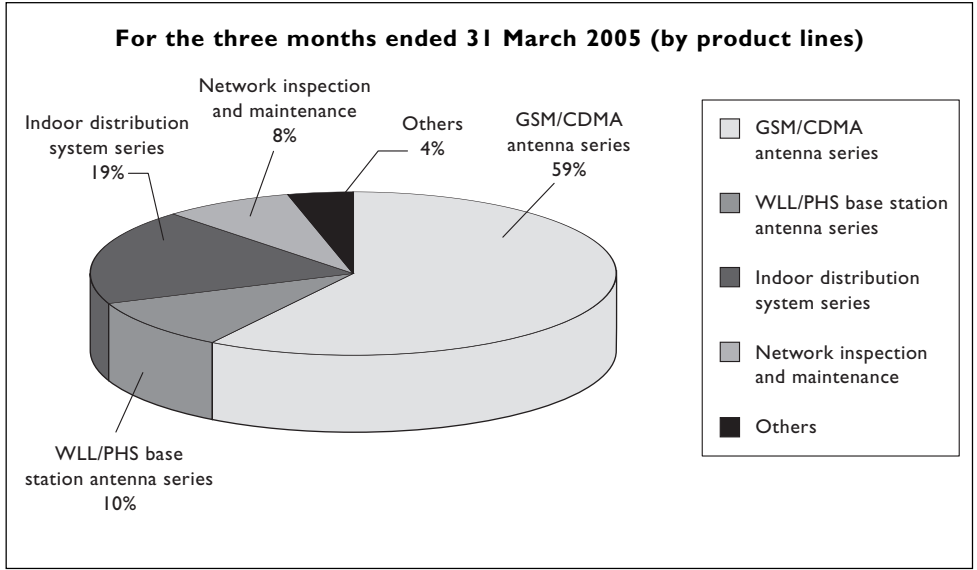
Activities of the Group

The Group is principally engaged in the research and development (“R & D”), manufacture and sale of base station antennas and related products.

Turnover

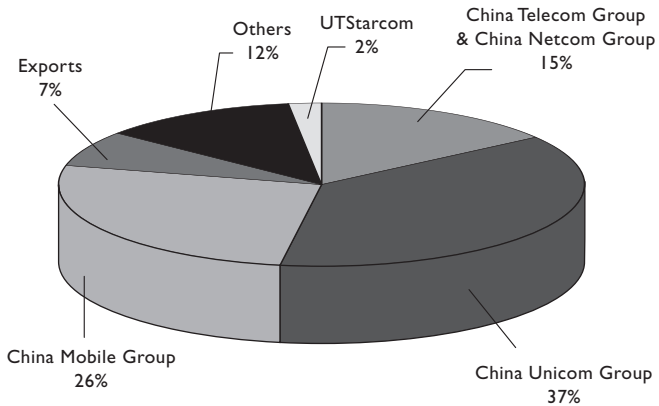
The Group recorded an unaudited turnover of approximately RMB22.5 million for the three months ended 31 March 2005, representing a decrease of approximately 34.2% as compared with the unaudited turnover for the corresponding period in the year 2004. The decrease was mainly due to the slow down in the construction and optimization of WLL/PHS network and mobile communication networks in the PRC. It was because the network operators have been waiting for the removal of the uncertainty in the government policy on telecommunication industry, especially on the launching of 3G mobile communication services and the expected restructuring among network operators. Sales of WLL/PHS base station antenna series further decreased as a major customer, UTStarcom Telecom Co., Ltd., has been restructuring its logistic system and it was also subject to the slow down of construction and optimization of the WLL/PHS network. As the result, composite of turnover has been changed significantly. Percentage of sales of WLL/PHS base station antenna series decreased from approximately 35% of the corresponding period in the year 2004 to approximately 10% for the three months ended 31 March 2005; while the percentage of sales of indoor distribution system series increased from approximately 2% of the corresponding period in the year 2004 to approximately 19% for the three months ended 31 March 2005.

Composite of turnover by product lines for the three months ended 31 March 2005, together with the comparative figures for the corresponding period in the year 2004, are provided as follows:

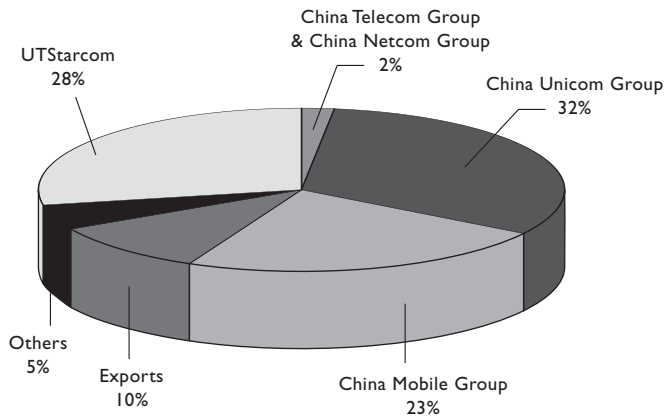


Composite of turnover by major customers for the three months ended 31 March 2005, together with the comparative figures for the corresponding period in the year 2004, are provided as follows:

For the three months ended 31 March 2005 (by major customers)



For the three months ended 31 March 2004 (by major customers)



Legend:

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

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

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

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

Gross Profit

For the three months ended 31 March 2005, unaudited gross profit of the Group amounted to approximately RMB10.7 million, comparing to the unaudited gross profit of approximately RMB15.4 million for the corresponding period in the year 2004. Gross profit margin was approximately 47.6%, increased for approximately 3 percentage points comparing with the gross profit margin of 45.0% for the corresponding period in the year 2004. The increase was mainly due to the increase in proportion of the higher gross profit margin product and indoor distribution system series, the turnover of which amounted to approximately 19% for the three months ended 31 March 2005, comparing to approximately 2% in the corresponding period in the year 2004.

Operating Costs and Expenses

Distribution costs for the three months ended 31 March 2005 amounted to approximately RMB9.9 million, representing a decrease of approximately RMB1.0 million or approximately 9.2% comparing with the corresponding period in the year 2004. The decrease was mainly due to the decrease in the agency services fee for the period. The Group engaged a lot of agency services to explore new market in the year 2004. As its relation with new customers started, less agency services were required during the three months ended 31 March 2005.

Administrative expenses for the three months ended 31 March 2005 slightly increased comparing with the corresponding period in the year 2004, amounting to approximately RMB5.1 million. The slightly increase of administrative expenses was mainly due to the increase in the depreciation expenses of property, plant and equipment.

Other operating expenses for the three months ended 31 March 2005 increased by approximately RMB2.3 million, or 121.1%, to approximately RMB4.2 million comparing with the corresponding period in the year 2004. It was mainly because less product R&D costs

were capitalized during the three months ended 31 March 2005 (2005: approximately RMB2.4 million; 2004: RMB4.0 million) and, at the same time, amortization of R&D costs capitalized increased.

Finance costs, mainly interest expenses, increased by approximately RMB0.8 million, or 61.5% comparing with the corresponding period in the year 2004, amounting to approximately RMB2.1 million. The increase was mainly because of the increase in total amounts of short-term and long-term borrowings during the three months ended 31 March 2005.

PROSPECTS

For the three months ended 31 March 2005, sales to China Telecom Group and China Netcom Group increased. The Group's customer base has been become diversified. The Directors believe that the Group's market share will be maintained and the benefits from such market share will be materialized once the PRC telecommunication network operators resume construction and optimization of their networks, especially after the launching of the 3G mobile communication services.

For the three months ended 31 March 2005, the growing trend of the Group's sales of indoor distribution system series continued. The Group will continue to develop the business of indoor distribution system series as well as other business of wireless coverage solution.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2005, none of the Directors, the supervisors (the "**Supervisors**") (as if the requirements applicable to Directors under the Securities and Futures Ordinance ("**SFO**") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) or chief executives of the Company, including their respective associates, had any interests or short positions in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or when required, 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

So far as is known to the Directors, Supervisors and chief executives of the Company, as at 31 March 2005, none of the Directors, Supervisors or chief executives of the Company or any of their 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 SHARES AND UNDERLYING SHARES OF THE COMPANY

(A) Substantial shareholders (the "Shareholders") of the Company

As at 31 March 2005, the following persons or entities (other than a Director, Supervisor or chief executive 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:

Name of substantial Shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company (Note 1)	Approximate percentage in the total issued share capital of the Company
Domestic Shares				
肖良勇教授 Professor XIAO Liangyong (Note 2)	Personal	Beneficial owner	180,000,000(L)	27.8%
西安解放集團股份 有限公司 (Xi'an Jiefang Group Joint Stock Co., Ltd*)	Corporate	Beneficial owner	100,000,000(L)	15.5%
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(L)	10.8%

* for identification purpose only

Name of substantial Shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company (Note 1)	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(L) (Note 3)	10.8%
陝西保升國際投資 有限責任公司 (Shaanxi Baosheng International Investment Company Limited*)	Corporate	Held by controlled corporation	70,151,471(L) (Note 3)	10.8%

* *for identification purpose only*

Notes:

1. The letter "L" represents the entity's/person's long positions in the Shares.
2. Professor Xiao Liangyong was an executive Director since October 2000 and he resigned from the office of the executive Director on 29 March 2005.
3. The domestic Shares were held by XITIC. By virtue of the SFO, Xi'an Finance Bureau* and Shaanxi Baosheng International Investment Company Limited*, which respectively holds more than one third of voting right in 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

As at 31 March 2005, save of the persons or entities disclosed in sub-section (A) above, the following persons or entities (other than a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company (Note 1)	Approximate percentage in the total issued share capital of the Company
Domestic Shares				
北京京泰投資管理中心 (Beijing Holdings Investment Management Co., Ltd.*, "Beijing Holdings")	Corporate	Beneficial owner	54,077,941(L)	8.4%
京泰實業(集團)有限公司 (Beijing Holdings (Group) Limited*)	Corporate	Held by controlled corporation	54,077,941(L) (Note 2)	8.4%
陝西省絲綢進出口公司 (Shaanxi Silk Import & Export Corporation*, "Shaanxi Silk")	Corporate	Beneficial owner	45,064,706(L)	7.0%
陝西省財政廳 (Shaanxi Finance Bureau*)	Corporate	Held by controlled corporation	45,064,706(L) (Note 3)	7.0%

* for identification purpose only

Name of Shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company (Note 1)	Approximate percentage in the total issued share capital of the Company
H Shares				
Atlantis Investment Management Limited	Corporate	Investment manager	14,736,000(L) (Note 4)	2.3% (Note 5)
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000(L) (Note 4)	2.0% (Note 6)
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000(L) (Note 4)	1.6% (Note 7)
Ms. SONG Ying	Personal	Beneficial Owner	8,800,000(L)	1.4% (Note 8)

Notes:

- The letter "L" represents the entity's/person's long positions in the Shares.
- 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.
- The domestic Shares were held by Shaanxi Silk. By virtue of the SFO, Shaanxi Finance Bureau*, which holds more than one third of voting rights of Shaanxi Silk, was deemed to be interested in the same 45,064,706 domestic Shares held by Shaanxi Silk.
- The details of these Shareholders were based on information as set out in the web-site 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.
- The H Shares held by Atlantis Investment Management Limited were equivalent to approximately 9.1% of H Shares total in issued.
- The H Shares held by Taicom Capital Ltd. were equivalent to approximately 8.0% of H Shares total in issued.
- The H Shares held by Carlson Fund Equity Asian Small Cap were equivalent to approximately 6.5% of H Shares total in issued.
- The H Shares held by Ms. SONG Ying were equivalent to approximately 5.4% of H Shares total in issued.

* for identification purpose only

Save as disclosed above, as at 31 March 2005, the Directors 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 record on 31 March 2005 in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTEREST

None of the Directors, 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.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 March 2005, trade receivables due from China Unicom Group, China Mobile Group, China Telecom Group and other trade customers (in aggregate) amounted to approximately RMB85.8 million, RMB35.7 million, RMB24.2 million and RMB22.4 million respectively. Such trade receivables in an aggregate amount of approximately RMB168.1 million were owed by 50 trade customers who are independent third parties not connected with the Directors, Supervisors, chief executives of the Company or the substantial Shareholders.

All of the above trade receivables are unsecured and repayable in accordance with terms specified in the contracts governing the relevant transactions. No collateral is required to be made by the three major customers and no interest is charged on such balances. The balances due from China Unicom Group as at 31 March 2005 represented approximately 18.0%, exceeding 8%, of the Group's total assets as per the latest published audited financial statements as at 31 December 2004 and the balances due from China Unicom Group, China Mobile Group and China Telecom Group as at 31 March 2005 represented approximately 49.1%, 20.4% and 13.9% respectively, exceeding 8%, of the Group's market capitalization as at 31 March 2005. Both cases constitute disclosure obligations on the Company pursuant to Rule 17.15 of the GEM Listing Rules.

According to the Directors, the Group has not encountered any negative impact to its operations or business despite the Group's significant financial exposure to China Unicom Group, China Mobile Group and China Telecom Group. In addition, the Directors believe that with the strong backing of these customers, the Group is able to further expand its business as one of the leading providers of the base station antennas and related products in the PRC.

Save as disclosed above, as at 31 March 2005, so far as is known to the Directors, there is no other advance which would give rise to disclosure obligations on the Company under Rules 17.15 and 17.17 of the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As notified and updated by Core Pacific-Yamaichi Capital Limited (“**CPY Capital**”), the Company’s compliance adviser, pursuant to Rules 6.36 and 18.75 of the GEM Listing Rules, as at 31 March 2005, neither CPY Capital nor its directors or employees or associates had any interests in share capital of the Company.

Pursuant to an agreement dated 24 October 2003 (the “**Agreement**”) entered into between CPY Capital and the Company, CPY Capital received and will receive fees for acting as the Company’s compliance adviser for the period up to 31 December 2005 or until the Agreement is terminated upon the terms and conditions set out therein.

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) was established since 4 April 2003 with terms of reference in compliance with the GEM Listing Rules. As at 31 March 2005, the Audit Committee comprised Mr. WANG Pengcheng and Professor GONG Shuxi, independent non-executive Directors, and Mr. LI Wenqi, a non-executive Director. The Company’s unaudited first quarterly operating results for the three months ended 31 March 2005 in the first quarterly report 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

None of the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the period from 1 January 2005 to 31 March 2005.

By order of the Board
Mr. XIAO Bing
Chairman

Xi’an, the PRC, 12 May 2005

As at the date of this report, the Board comprises 肖兵先生 (Mr. Xiao Bing), 梁志軍先生 (Mr. Liang Zhijun) and 方曦先生 (Mr. Fang Xi) being executive Directors; 王科先生 (Mr. Wang Ke), 劉永強先生 (Mr. Liu Yongqiang), 王全福先生 (Mr. Wang Quanfu), 王京女士 (Ms. Wang Jing) and 李文琦先生 (Mr. Li Wenqi) being non-executive Directors; and 周天游先生 (Mr. Zhou Tianyou), 龔書喜先生 (Mr. Gong Shuxi) and 王鵬程先生 (Mr. Wang Pengcheng) being independent non-executive Directors.