



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

Interim Report

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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 requirements of 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 the bases and assumptions that are fair and reasonable.*

** for identification purpose only*

HIGHLIGHTS

- During the three months ended 30 June 2005, the Group recorded an unaudited net profit of approximately RMB0.93 million, representing a decrease in the net profit of approximately 89.5% as compared to the corresponding period in the year 2004. During the six months ended 30 June 2005, the Group recorded an unaudited net loss of approximately RMB9.44 million, representing a decrease of approximately 274.9% as compared with the net profit for the corresponding period in the year 2004.
- The Board recommends the payment of an interim dividend of RMB0.015 per Share for the year ending 31 December 2005.

INTERIM RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2005

The board (the “Board”) of Directors hereby announces the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2005, together with the unaudited comparative figures for the corresponding period in the year 2004 as follows:

Condensed Consolidated Income Statements

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	3	41,706	58,226	64,207	92,400
Cost of sales		(23,162)	(31,278)	(34,983)	(50,041)
Gross profit		18,544	26,948	29,224	42,359
Other operating income		68	458	267	534
Distribution costs		(8,798)	(10,067)	(18,703)	(20,991)
Administrative expenses		(4,375)	(4,356)	(9,435)	(9,207)
Other operating expenses		(2,209)	(2,426)	(6,431)	(4,289)
Profit (loss) from operations	5	3,230	10,557	(5,078)	8,406
Finance costs		(2,270)	(344)	(4,329)	(1,655)
Profit (loss) before taxation		960	10,213	(9,407)	6,751
Income tax expense	6	-	(1,355)	-	(1,355)
Profit (loss) before minority interests		960	8,858	(9,407)	5,396
Minority interests		(30)	-	(30)	-
Net profit (loss) for the period		930	8,858	(9,437)	5,396
Dividend	7	9,706	-	9,706	-
Basic earnings (loss) per share (in RMB)	8	0.14 cents	1.36 cents	(1.46) cents	0.83 cents

Condensed Consolidated Balance Sheet

		As at 30 June 2005 RMB'000 (unaudited)	As at 31 December 2004 RMB'000 (audited)
NON-CURRENT ASSETS			
Land use right		11,745	11,874
Intangible assets		30,907	27,847
Property, plant and equipment	9	101,920	103,482
Club debenture		280	280
Deposits for acquisition of property, plant and equipment		372	29
Pledged bank deposits		1,144	624
		146,368	144,136
CURRENT ASSETS			
Inventories – at cost		31,314	25,555
Trade receivables	10	169,969	172,292
Bills receivable		2,480	7,373
Other receivables and prepayments		13,362	12,739
Pledged bank deposits		1,465	7,380
Bank balances and cash		85,487	107,614
		304,077	332,953
CURRENT LIABILITIES			
Trade payables	11	43,391	28,469
Bills payable		8,624	35,401
Other payables and accrued charges		12,373	11,061
Taxation		7,327	8,853
Dividend payable		–	–
Bank and other borrowings – due within one year		84,632	90,000
		156,347	173,784
NET CURRENT ASSETS		147,730	159,169
TOTAL ASSETS LESS CURRENT LIABILITIES		294,098	303,305

	As at 30 June 2005 RMB'000 (unaudited)	As at 31 December 2004 RMB'000 (audited)
CAPITAL AND RESERVES		
Share capital	64,706	64,706
Reserves	158,562	167,999
	223,268	232,705
MINORITY INTERESTS		
	230	–
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	70,000	70,000
Deferred taxation	600	600
	70,600	70,600
	294,098	303,305

Condensed Consolidated Statement of Changes In Equity*For the six months ended 30 June 2005*

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Accumulated profits	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 2004	64,706	71,229	9,503	5,174	70,311	220,923
Final dividend for the year 2003 declared	-	-	-	-	(3,235)	(3,235)
Net profit for the period	-	-	-	-	5,396	5,396
At 30 June 2004	64,706	71,229	9,503	5,174	72,472	223,084
At 1 January 2005	64,706	71,229	9,805	5,326	81,639	232,705
Net loss for the period	-	-	-	-	(9,437)	(9,437)
At 30 June 2005	64,706	71,229	9,805	5,326	72,202	223,268

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

	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Net cash used in operating activities	(13,493)	(66,727)
Net cash used in investing activities:		
Proceeds from disposal of property, plant and equipment	89	164
Purchase of property, plant and equipment	(3,617)	(22,820)
Other investing cash flows	62	12,087
	(3,466)	(10,569)
Net cash (used in) from financing activities:		
New borrowings raised	-	100,000
Repayments of borrowings	(5,368)	(64,674)
Other financing cash flows	200	-
	(5,168)	35,326
Net decrease in cash and cash equivalents	(22,127)	(41,970)
Cash and cash equivalents at 1 January	107,614	113,588
Cash and cash equivalents at 30 June		
Represented by bank balances and cash	85,487	71,618

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2005

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

This unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

2. ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods commencing on or after 1 January 2005.

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

3. TURNOVER

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

Turnover breakdown by nature of revenue:

	For the three months ended 30 June		For the six months ended 30 June	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Sales of goods	40,724	55,652	61,387	89,826
Service income	982	2,574	2,820	2,574
	41,706	58,226	64,207	92,400

4. SEGMENT INFORMATION

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

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

	For the six months ended 30 June 2005			For the six months ended 30 June 2004		
	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	57,257	6,950	64,207	81,485	10,915	92,400
Segment result	5,760	1,825	7,584	19,024	3,192	22,216
Unallocated corporate expenses			(12,870)			(14,108)
Interest income			208			298
Finance costs			(4,329)			(1,655)
Profit (loss) before taxation			(9,407)			6,751
Income tax expense			-			(1,355)
Profit (loss) before minority interests			(9,407)			5,396

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. PROFIT (LOSS) FROM OPERATIONS

	For the three months ended 30 June		For the six months ended 30 June	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Profit from operations has been arrived at after charging:				
Directors' and supervisors' remuneration	277	537	716	1,089
Other staff costs	5,456	5,795	10,749	11,482
Retirement benefit scheme contributions (excluding those of directors and supervisors)	302	198	600	381
Total staff costs	6,035	6,530	12,065	12,952
Less: Staff costs included in research and development costs	(644)	(293)	(1,455)	(602)
Staff costs capitalised in development costs	(958)	(2,226)	(1,858)	(4,514)
	4,433	4,011	8,752	7,836
Auditors' remuneration	117	264	267	389
Cost of inventories recognised in the income statement	20,611	28,114	31,107	44,180
Depreciation and amortisation of property, plant and equipment	2,685	2,170	5,085	4,059
Less: Depreciation and amortisation included in research and development costs	(412)	(230)	(845)	(448)
Depreciation and amortisation capitalised in development costs	(591)	(770)	(1,026)	(1,343)
	1,682	1,170	3,214	2,268
Amortisation of development cost (included in other operating expenses)	735	351	1,429	672
Amortisation of technological know-how (included in other operating expenses)	250	250	500	500
Amortisation of land use right (included in administrative expenses)	65	65	130	130
Total depreciation and amortisation	2,732	1,836	5,273	3,570

	For the three months ended 30 June		For the six months ended 30 June	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Loss on disposal of property, plant and equipment	5	216	5	216
Rentals of premises under operating leases	444	161	721	192
Less: Rentals of staff quarters included in staff costs	(41)	(31)	(47)	(89)
	403	130	674	103
Research and development costs	4,453	6,018	9,174	11,462
Less: Development costs capitalised	(2,623)	(4,621)	(4,989)	(8,581)
	1,830	1,397	4,185	2,881
Interest expenses	2,270	1,933	4,329	3,239
Less: Interest expenses capitalised	–	(1,395)	–	(1,395)
	2,270	538	4,329	1,844
and after crediting:				
Interest income	50	223	208	298

6. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
PRC income tax	–	1,355	–	1,355

The amount represented provision for PRC Corporate Income Tax on the Group's estimated assessable profit for the six months ended 30 June 2004.

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 PRC and therefore subject to the corporate income tax rate of 15%.

7. DIVIDEND

The Board recommends the payment of an interim dividend of RMB0.015 per share for the year ending 31 December 2005 (2004: nil) to the shareholders of the Company whose names appear in the register of members on 29 August 2005.

8. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the unaudited net profit of approximately RMB930,000 for the three months ended 30 June 2005 and net loss of approximately RMB9,437,000 for the six months ended 30 June 2005 (unaudited net profit for the three months and six months ended 30 June 2004: approximately RMB8,858,000 and RMB5,396,000 respectively) divided by the number of 647,058,824 shares in issue (2004: 647,058,824 shares).

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

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB3.6 million (2004: RMB 11.2 million) on acquisition of property, plant and equipment.

10. TRADE RECEIVABLES

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

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Age		
0 to 60 days	32,524	58,370
61 to 120 days	11,148	24,690
121 to 180 days	19,113	11,696
181 to 240 days	26,252	20,074
241 to 365 days	28,438	16,985
Over 365 days	63,063	51,046
	180,538	182,861
Less: Allowance for doubtful debts	(10,569)	(10,569)
	169,969	172,292

11. TRADE PAYABLES

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

	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Age		
0 to 60 days	24,107	16,915
61 to 120 days	8,221	6,944
121 to 365 days	10,753	4,490
Over 365 days	310	120
	43,391	28,469

12. CAPITAL COMMITMENTS

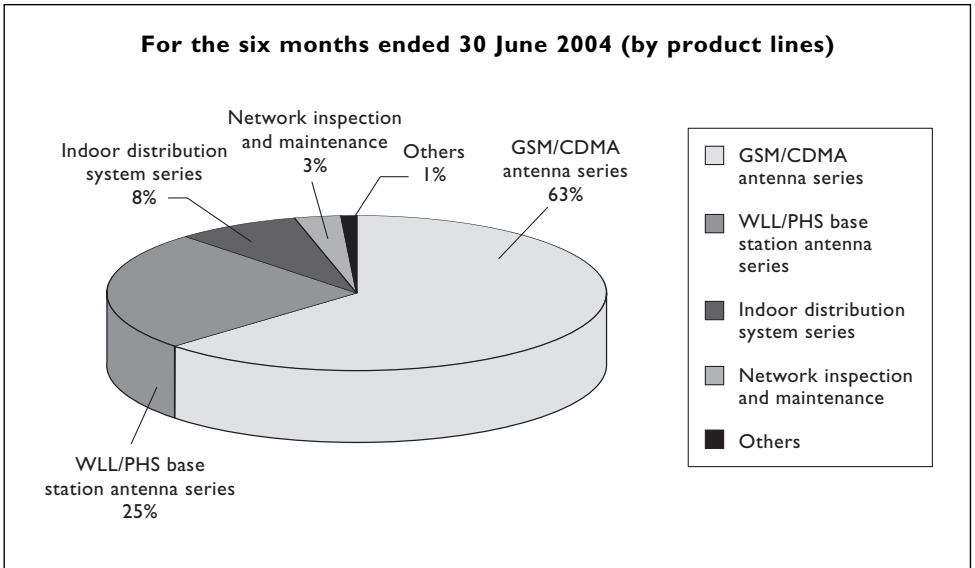
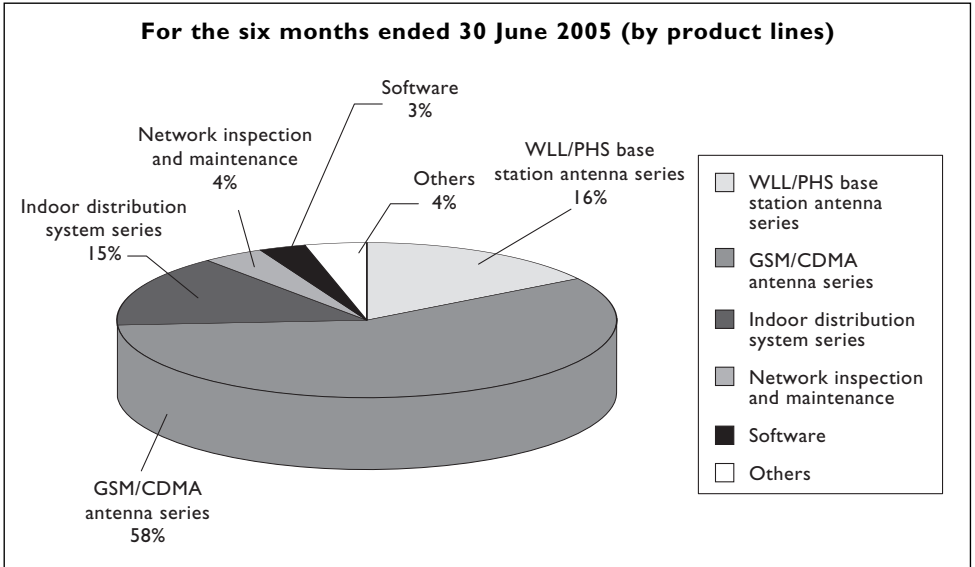
	As at 30 June 2005 RMB'000	As at 31 December 2004 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	2,002	4,447

MANAGEMENT DISCUSSION AND ANALYSIS

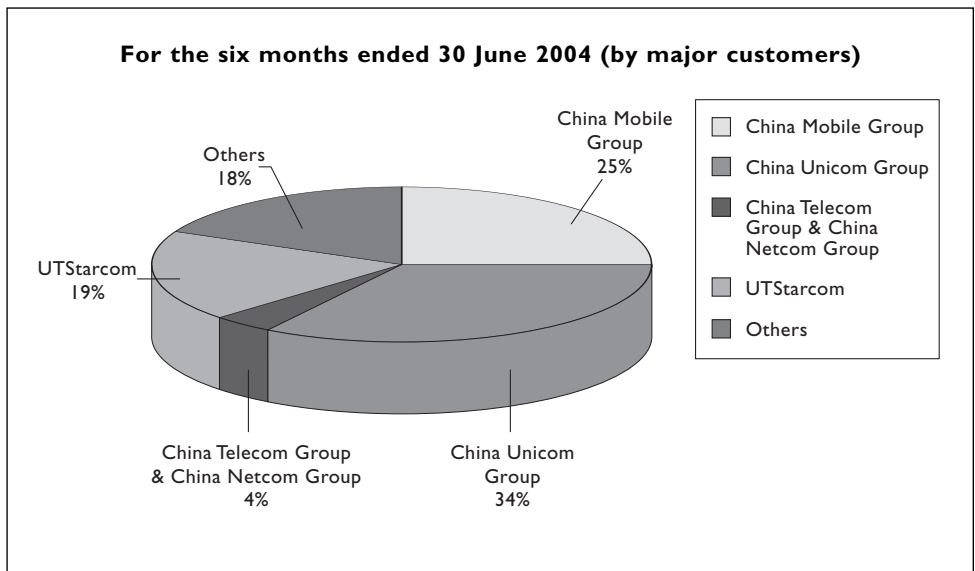
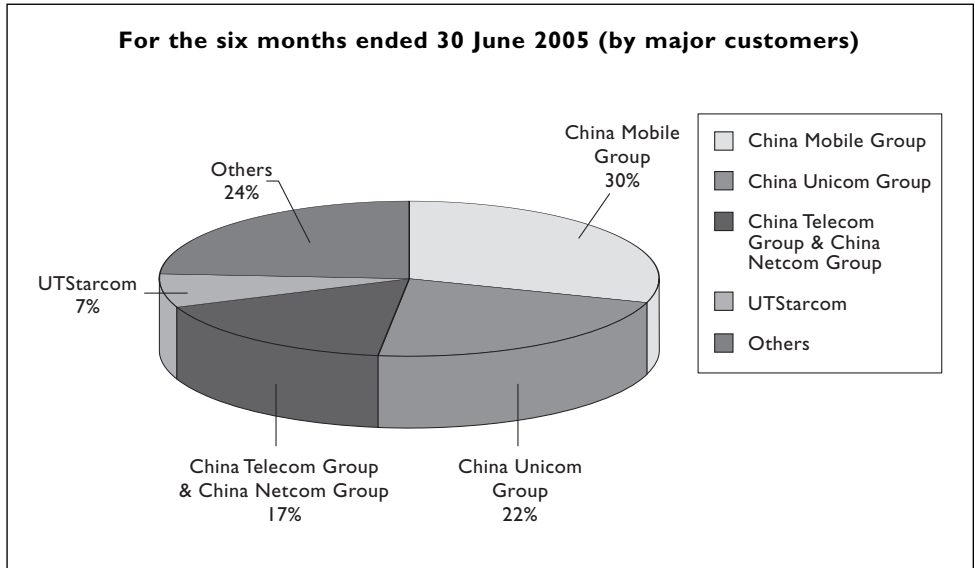
Business Review

The Group recorded an unaudited turnover of approximately RMB41.7 million and RMB64.2 million for the three months and six months ended 30 June 2005 respectively, representing a decrease of approximately 28.4% and 30.5% compared with the unaudited turnover for the corresponding period in the year 2004. The decrease was mainly due to the uncertainty in the government policy on telecommunication industry, especially on the launching of 3G mobile communication services and the expected restructuring among telecommunication operators. The adoption of wait-and-see attitude by telecommunication operators made the progress of network construction and optimisation slow down. Percentage of total sales of WLL/PHS base station antenna series products decreased from approximately 25% for the corresponding period in the year 2004 to approximately 16% for the six months ended 30 June 2005; the percentage of total sales of GSM/CDMA antenna series products decreased from approximately 63% for the corresponding period in the year 2004 to approximately 58% for the six months ended 30 June 2005; while the percentage of total sales of indoor distribution system series and network inspection and maintenance increased from approximately 8% and 3% for the corresponding period in the year 2004 respectively to approximately 15% and 4% for the six months ended 30 June 2005 respectively. In addition, the newly launched software agency sales of the Group representing 3% of the total sales.

Composite of sales by product lines for the six months ended 30 June 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 six months ended 30 June 2005, together with the comparative figures for the corresponding period in the year 2004, is provided as follows:



Legend:

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

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

During the six months ended 30 June 2005, unaudited gross profit amounted to approximately RMB29.2 million, gross profit margin was approximately 45.5%, basically reached the same level when comparing with the gross profit margin of 45.8% for the corresponding period in the year 2004. The tendency of the continuing decrease of the prior gross profit margin was restrained. It was mainly because the Company had launched substitute products with higher added value and transferred the production of the traditional products to lower costs area.

Operating Costs and Expenses

Distribution costs for the six months ended 30 June 2005 amounted to approximately RMB18.7 million, representing a decrease of approximately RMB2.29 million or approximately 10.9% comparing with the corresponding period in the year 2004. The decrease was mainly due to the adoption of a series of cost reduction policy by the Group which proved to be effective. Administrative expenses had increased RMB0.23 million or 2.5%, amounting to approximately RMB9.4 million comparing with the corresponding period in the year 2004. The increase of administrative expenses was mainly due to the increase in depreciation for the newly established research building and power station in the first half of 2005. Other operating expenses amounted to approximately RMB6.4 million, representing an increase of approximately RMB2.1 million or 49.9% comparing with the corresponding period in the year 2004. Since capitalised research and development costs reduced during the six months ended 30 June 2005, research and development cost amounting to approximately RMB5.0 million (2004: RMB8.6 million) were capitalised during this period, meanwhile the amortisation of capitalised research and development costs also increased. Finance costs amounted to approximately RMB4.3 million, representing an increase of approximately RMB2.7 million or 161.6% comparing with the corresponding period in the year 2004. The increase was mainly due to two reasons: first, bank loan interest paid (the bank loan was used for the construction of building for testing centre) amounted to approximately RMB1.4 million (2005: nil) during

the corresponding period in the year 2004 were capitalised in the costs of the building for testing centre; second, the average monthly bank loan balance during this period was higher than that for the corresponding period in the year 2004, thus interest expenses increased relatively.

Consequently, during the three months ended 30 June 2005, the Group recorded an unaudited net profit of approximately RMB0.93 million, representing a decrease in the net profit of approximately 89.5% as compared to the corresponding period in the year 2004. During the six months ended 30 June 2005, the Group recorded an unaudited net loss of approximately RMB9.44 million, representing a decrease of approximately 274.9% as compared with the net profit for the corresponding period in the year 2004.

PROSPECTS

For the six months ended 30 June 2005, sales to China Telecom Group and China Netcom Group continue to increase while sales to other customers were also increased which further expanded the customer base of the Group. The Directors expect the Group will continue to expand the overseas markets which help to provide a new income source to the Group.

For the six months ended 30 June 2005, sales of indoor distribution system series had increased significantly. The Group expects the sales of this product line will continue to increase before the launching of 3G mobile communication services and form a bigger portion in the Group's sales revenue.

Since the Group had established an experienced research, development and production team in the past, it has successfully launched substitute products with higher added value as well as more cost effective production method which make the gross profit margin remain stable under a competitive environment. The Group will continue to launch new product and adopt cost control policy so as to ensure the profit and beneficial results of the Group will increase.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

Business Objectives set out in the prospectus of the Company dated 24 October 2003 (the "Prospectus")

Actual Progress from 1 January 2005 to 30 June 2005

Research and development of the Company's antenna and related products

TD-SCDMA intelligent antenna commercialisation (originally planned to be completed by December 2005)

TD-SCDMA intelligent antenna had given trial and recognized by system integrators and the products had qualified for commercialisation

PHS intelligent base station antennas commercialization

PHS intelligent base station antennas reached production stage and launched to the market

Preliminary research on 3G time division repeaters

WCDMA distribution station was launched

Preliminary research on 3G time division module RF

Accumulated technique was completed

Further empowering of the Company's research and development capabilities

Fine tune near-field/ far-field antenna testing system

Fine tune trial finished and application for state laboratory is in progress

Increase of production capacity

Purchase of auxiliary equipment

Purchase deferred until the management consider necessary

Expansion of sales and marketing network

Fine tune information systems for sales and marketing in the PRC

Fine tune finished

Business Objectives set out in the prospectus of the Company dated 24 October 2003 (the "Prospectus")

Actual Progress from 1 January 2005 to 30 June 2005

Collaborating with business partners and establishing strategic alliances

Participate in cooperation/alliance with mobile communication equipment vendors/system integrators in the PRC and overseas

As an industrialised allied member, the Company continued to co-operate with Datang Mobile Communications Equipment Co., Ltd in the development and commercialisation of TD-SCDMA mobile communication intelligent antenna

The Company continued to co-operate with global communication equipment providers to finalise the recognition process of the Company as their designated provider

COMPARISON BETWEEN INTENDED AND ACTUAL USE OF NET PROCEEDS OF PLACING OF THE COMPANY'S H SHARES

Business objectives	Planned uses of proceeds as set out in the Prospectus <i>HK\$ million</i>	Actual amount of proceeds used up to 30 June 2005 <i>HK\$ million</i>
Research and development of the Company's antennas and related products	24.5	33.5
Further empowering of the Company's research and development capabilities	14.0	11.6
Increase of production capacity	5.0	1.5
Expansion of sales and marketing network	5.0	2.8
Collaborating with business partners and establishing strategic alliance	2.5	1.5
Total	51.0	50.9

The unused proceeds from the placing of the Company's H Shares pursuant to the Prospectus included (i) the amount required for achieving business objectives scheduled for the periods after 30 June 2005, (ii) the amount not being utilised as a result of the delay in the progress of certain business objectives, and (iii) saving in costs for achieving business objectives. The aforesaid unused proceeds were placed in bank in the PRC as deposits as at 30 June 2005.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's short-term borrowings decreased from approximately RMB90.0 million to approximately RMB84.6 million, and long term borrowings remained unchanged at approximately RMB70.0 million. Total bank borrowings amounted to RMB154.6 million as at 30 June 2005. These borrowings were mainly used for the Group's daily operations and acquisition of fixed assets.

As at 30 June 2005, all of the Group's bank borrowings bear interest of a fixed rate ranging from 5.22% to 5.76% per annum. Since all the bank borrowings were denominated in RMB, exposure to foreign exchange risk was minimal.

The Group's borrowings are repayable as follows:

	<i>RMB million</i>
Within 1 year	84.6
More than 1 year, but not exceeding 2 years	–
More than 2 years, but not exceeding 5 years	70.0
	154.6

Over the period, the Group's gearing ratio increased to 69.2% (as at 31 December 2004: 68.8%), which is calculated based on the total bank borrowings of approximately RMB154.6 million over the total shareholders' funds of approximately RMB223.3 million. Cash and cash equivalents decreased from approximately RMB107.6 million to RMB85.5 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2005, the Group pledged bank deposits with a total amount of approximately RMB2.6 million, buildings of net book value of approximately RMB52.2 million, land use right of net book value of approximately RMB11.7 million and trade receivables of approximately RMB56.2 million for banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2005, the Company did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

For the period ended 30 June 2005, the Group was not subject to any significant exposure to foreign exchange rates risk as the majority of the transactions of the Group were denominated in Renminbi. Hence, the Group has not taken any hedging measures in this regard.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2005, the Group had approximately 590 full-time employees. Total staff costs for the six months ended 30 June 2005 amounting to approximately RMB 12 million (six months ended 30 June 2004: RMB13 million), including remuneration of the Directors and the supervisors (the "Supervisors") and staff costs included in research and development costs and capitalised. The Group reviews employee remuneration from time to time and increases are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group has not granted any share options to the Directors and its full-time employees.

SIGNIFICANT INVESTMENT HELD

During the six months ended 30 June 2005 and as at the balance sheet date, the Group did not hold investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 30 June 2005, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB2 million (as at 31 December 2004: RMB4 million). Save as disclosed herein and the business objectives set out in the Prospectus, the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2005, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

DIVIDEND

At the meeting of the Board held on 9 August 2005, the Board recommends the payment of an interim dividend of RMB0.015 per share of the Company (the "Shares") for the year ending 31 December 2005 (2004: nil) to the shareholders of the Company whose names appear in the register of members on 29 August 2005.

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 2005, the interests and short positions of the Directors, the 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) or the chief executives of the Company, including their respective associates, in 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 Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Director	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company	Approximate percentage in the total issued share capital of the Company
肖兵先生 Mr. Xiao Bing	Personal	Held by controlled corporation (Note 1)	180,000,000	27.8%

Note 1: The domestic Shares were held by 西安天安投资有限公司 (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. By virtue of the SFO, Mr. Xiao Bing was deemed to be interested in the same 180,000,000 domestic Shares held by Tian An Investment.

Other than as disclosed above, none of the Directors, the Supervisors and the chief executive of the Company nor their 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 2005 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 Rules 5.46 to 5.68 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 2005, so far as is known to the Directors, the Supervisors and the chief executives of the Company, 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 THE SHARES AND UNDERLYING SHARES OF THE COMPANY

(A) Substantial shareholders of the Company

As at 30 June 2005, the following persons or entities 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:

Long position in the Shares

Name of substantial shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company	Approximate percentage in the total issued share capital of the Company
Domestic Shares				
Tian An Investment	Corporate	Beneficial owner	180,000,000 (Note 1)	27.8%
肖兵先生 Mr. Xiao Bing	Personal	Held by controlled corporation	180,000,000 (Note 1)	27.8%
姚文俐女士 Ms. Yao Wenli	Personal	Held by controlled corporation	180,000,000 (Note 1)	27.8%
肖良勇教授 Professor Xiao Liangyong	Personal	Parties acting in concert	180,000,000 (Note 2)	27.8%

Name of substantial shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company	Approximate percentage in the total issued share capital of the Company
Domestic Shares				
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	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	10.8%
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled corporation	70,151,471 (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 (Note 3)	10.8%

* for identification purpose only

Notes:

- 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, Mr. Xiao Bing and Ms. Yao Wenli were deemed to be interested in the same 180,000,000 domestic Shares held by Tian An Investment.
- Professor Xiao Liangyong is the father of Mr. Xiao Bing and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, he was deemed to be interested in the same 180,000,000 domestic Shares held by Mr. Xiao Bing.
- 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 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

As at 30 June 2005, save as the persons or entities disclosed in sub-section (A) above, the following persons or entities (other than the Directors, the Supervisors and the chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company	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	8.4%
京泰實業(集團)有限公司 (Beijing Holdings Group) Limited*)	Corporate	Held by controlled corporation	54,077,941 (Note 1)	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	7.0%
陝西省財政廳 (Shaanxi Finance Bureau*)	Corporate	Held by controlled corporation	45,064,706 (Note 2)	7.0%

Name of shareholder	Type of interest	Capacity	Number of the issued Shares of RMB0.10 each held in the Company	Approximate percentage in the total issued share capital of the Company
H Shares				
Atlantis Investment Management Limited	Corporate	Investment manager	14,736,000 (Note 3)	2.3% (Note 4)
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 (Note 3)	2.0% (Note 5)
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 (Note 3)	1.6% (Note 6)
Ms. Song Ying	Personal	Beneficial Owner	8,800,000	1.4% (Note 7)

* for identification purpose only

Notes:

1. The domestic Shares were held by Beijing Holdings. By virtue of the SFO, Beijing Holdings (Group) Limited, which holds more than one third of voting rights of Beijing Holdings, was deemed to be interested in the same 54,077,941 domestic Shares held by Beijing Holdings.
2. The 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.
3. 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.
4. The H Shares held by Atlantis Investment Management Limited were equivalent to approximately 9.1% of H Shares total in issued.
5. The H Shares held by Taicom Capital Ltd. were equivalent to approximately 8.0% of H Shares total in issued.
6. The H Shares held by Carlson Fund Equity Asian Small Cap were equivalent to approximately 6.5% of H Shares total in issued.
7. The H Shares held by Ms. Song Ying were equivalent to approximately 5.4% of H Shares total in issued.

Save as disclosed above, as at 30 June 2005, the Directors, the Supervisors and the chief executives of the Company were not aware of any person (other than the Directors, the Supervisors and the 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.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 30 June 2005, trade receivables due from China Unicom Group, China Mobile Group, China Telecom Group and other trade customers (in aggregate) amounted to approximately RMB86.3 million, RMB43.4 million, RMB13.9 million and RMB37.1 million respectively. Such trade receivables in an aggregate amount of approximately RMB180.5 million were owed by 50 trade customers who are independent third parties not connected with the Directors, the Supervisors and the chief executives of the Company or the substantial shareholders of the Company.

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 and China Mobile Group as at 30 June 2005 represented approximately 18.1% and 9.1% respectively, 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 30 June 2005 represented approximately 55.5%, 27.9% and 8.9% respectively, exceeding 8%, of the Group's market capitalisation as at 30 June 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 30 June 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 18.63 of GEM Listing Rules, as at 30 June 2005, neither CPY Capital nor its directors, 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 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 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 Group’s unaudited consolidated results for the six months ended 30 June 2005 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

Save and except the following deviations from the code provisions set out in the Code on Corporate Governance Practice as contained in Appendix 15 to the GEM Listing Rules (the “CCGP”), the Company had, during the period under review, complied with the CCGP:

Code provisions set out in the CCGP	Reason for deviations
A.2 The Chairman and chief executive officer of the Company were performed by the same individual	The Company is still searching for suitable candidates to fulfill the responsibilities of the separate roles
B1 Remuneration committee has not yet been set up by the Company	The Company is now in the progress of forming its remuneration committee and drafting its term of reference

The Board was also in the progress of assessing the effect of the implementation of the CCGP on the Company’s operation. Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the six months ended 30 June 2005.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2005, the Company had adopted a code of conduct (the "Code") regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and the Code 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 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 August 2005 to 2 September 2005, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for entitlement to the interim dividend of RMB0.015 per Share for the year ending 31 December 2005, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shop 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 26 August 2005.

By order of the Board

Xiao Bing

Chairman

Xi'an, the PRC, 9 August 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.