



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)

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2008

First Quarterly Report

*For identification purposes only

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 the 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 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. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to GEM website 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 howsoever 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 requirements of the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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.*

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HIGHLIGHTS

- During the three months ended 31 March 2008, the Group recorded an unaudited net loss of approximately RMB15.6 million, representing an increase by approximately RMB3.5 million as compared to the net loss of approximately RMB12.1 million for the corresponding period in the year 2007.
- The Board does not recommend the payment of a dividend for the three months ended 31 March 2008 (2007: nil).

CONSOLIDATED RESULT FOR THE THREE MONTHS ENDED 31 MARCH 2008

The Board hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2008, together with the unaudited comparative figures for the corresponding period in the year 2007 as follows:

	Notes	(Unaudited) For the three months ended 31 March	
		2008 RMB'000	2007 RMB'000
Turnover	3	9,978	18,549
Cost of sales		(9,230)	(14,936)
Gross profit		748	3,613
Other operating income		33	913
Distribution costs		(4,473)	(4,113)
Administrative expenses		(6,481)	(7,218)
Other operating expenses		(3,194)	(4,206)
Loss from operations		(13,367)	(11,011)
Finance costs		(2,235)	(2,439)
Loss before taxation		(15,602)	(13,450)
Income tax credit	4	-	256
Net loss for the period		(15,602)	(13,194)
Attributable to:			
Equity holders of the Company		(15,602)	(12,071)
Minority interests		-	(1,123)
		(15,602)	(13,194)
Basic loss per share (in RMB cents)	6	(2.4)	(1.9)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

For the three months ended 31 March 2008

1. BASIS OF PREPARATION

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

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

This unaudited consolidated financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 unaudited consolidated financial results are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

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	
	2008	2007
	RMB'000	RMB'000
Sales of goods	9,210	17,505
Service income	768	1,044
	9,978	18,549

Turnover breakdown by geographical locations:

	(Unaudited) For the three months ended 31 March	
	2008	2007
	RMB'000	RMB'000
The People's Republic of China (the "PRC")	9,330	15,249
Overseas	648	3,300
	9,978	18,549

4. INCOME TAX CREDIT

Currently, the Company and certain of its subsidiaries established in mainland China are recognised by the Xi'an Municipal Bureau of Science and Technology as a high technology enterprise located in the Xi'an National High-tech Industrial Development Zone. In accordance with the applicable enterprise income tax of mainland China, they are subject to mainland China enterprise income tax ("EIT") at a rate ranged from 15% to 33%. The Company was exempted from EIT for two years starting from 2005 and is entitled to a 50% reduction, which is 7.5%, on the EIT for the following three years (i.e. commencing from 1 January 2007) in accordance with Article 8 of Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

The amount for the three months ended 31 March 2007 represented over provision for EIT of the Company on the estimated assessable profit for the year 2006.

5. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2008 (2007: nil).

6. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the unaudited net loss for the three months ended 31 March 2008 of approximately RMB15,602,000 (unaudited net loss for the three months ended 31 March 2007: approximately RMB12,071,000) divided by the number of 647,058,824 shares in issue (2007: 647,058,824 shares).

No diluted loss per share has been presented because there is no potential ordinary share outstanding during either period.

7. RESERVES

	Share capital RMB'000 (unaudited)	Share premium RMB'000 (unaudited)	Statutory surplus reserve RMB'000 (unaudited)	Statutory public welfare fund RMB'000 (unaudited)	Retained profits RMB'000 (unaudited)	Total RMB'000 (unaudited)	Minority interests RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 1 January 2007	64,706	71,229	10,624	5,529	18,265	170,353	40,604	210,957
Net loss for the period	-	-	-	-	(12,071)	(12,071)	(1,123)	(13,194)
At 31 March 2007	64,706	71,229	10,624	5,529	6,194	158,282	39,481	197,763
At 1 January 2008	64,706	71,229	16,153	-	17,445	169,533	-	169,533
Net loss for the period	-	-	-	-	(15,602)	(15,602)	-	(15,602)
At 31 March 2008	64,706	71,229	16,153	-	1,843	153,931	-	153,931

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

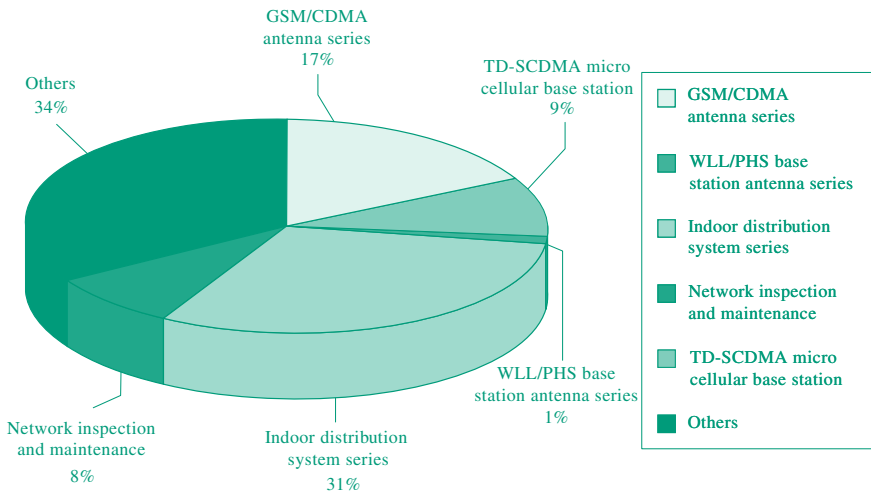
Turnover

The Group recorded an unaudited turnover of approximately RMB10.0 million for the three months ended 31 March 2008, representing a decrease of approximately 46.2% as compared with the unaudited turnover for the corresponding period in the year 2007. The decrease was mainly attributable to (a) the central procurement of many customers were postponed to the second and third quarters of 2008; and (b) seasonal fluctuation in overseas sales and major overseas orders would concentrate in the second and third quarters of 2008.

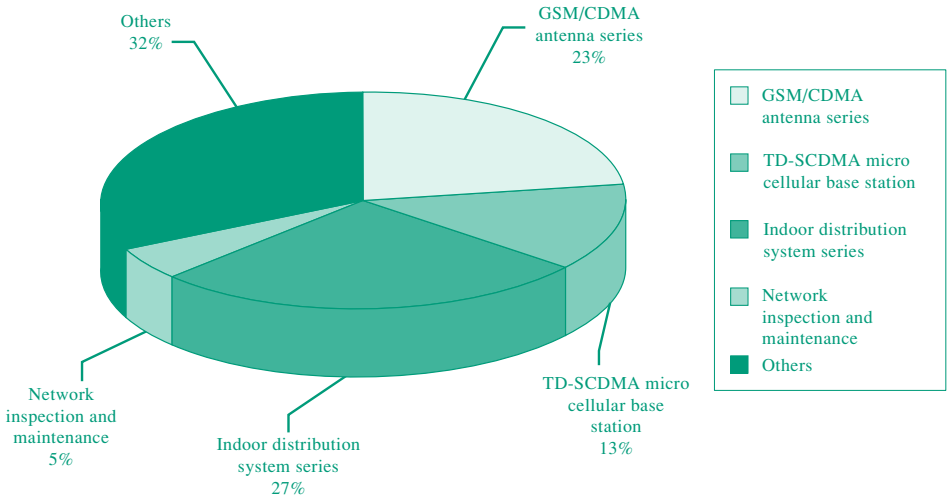
The sales to China Unicom Group increased by approximately 60.7% comparing with the corresponding period in the year 2007, which contribution to total sales increased from approximately 17.0% for the corresponding period in the year 2007 to approximately 52% in current period.

Composite of sales by product lines for the three months ended 31 March 2008, together with the comparative figures for the corresponding period in the year 2007, are provided as follows:

For the three months ended 31 March 2008 (by product line)

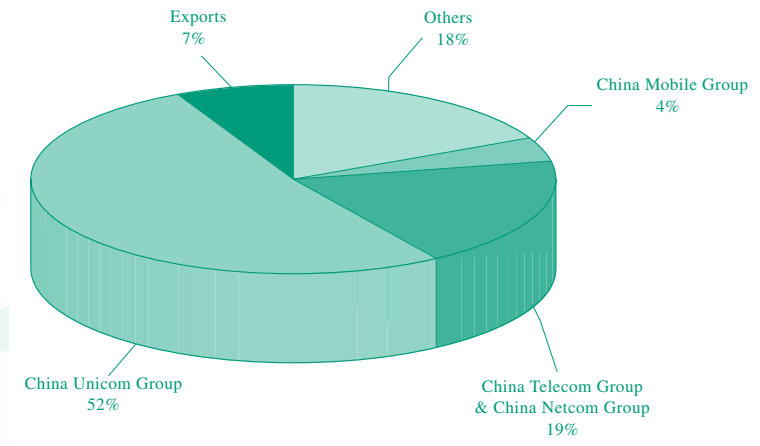


For the three months ended 31 March 2007 (by product line)

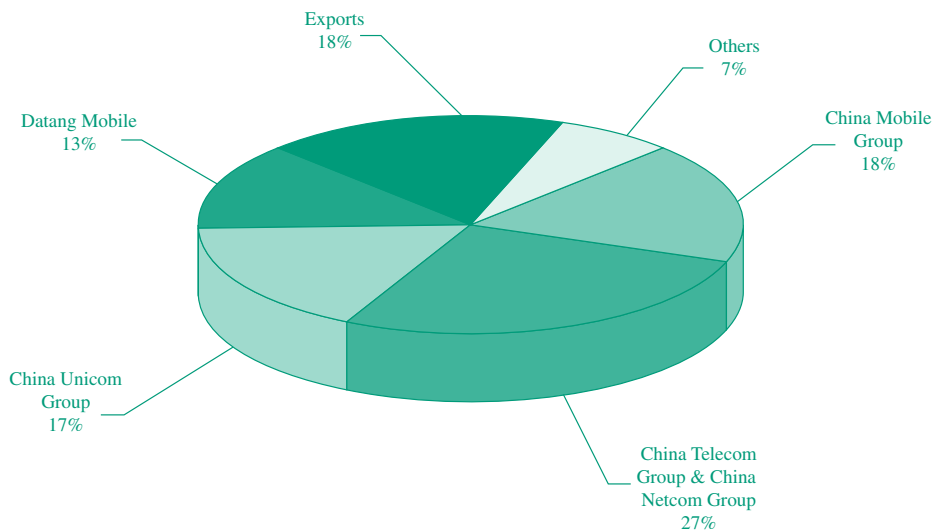


Composite of turnover by major customers for the three months ended 31 March 2008, together with the comparative figures for the corresponding period in the year 2007, is provided as follows:

For the three months ended 31 March 2008 (by major customers)



For the three months ended 31 March 2007 (by major customers)



Legend:

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")

Datang Mobile: 大唐移動通訊設備有限公司 (Datang Mobile Communications Equipment Company Limited) ("Datang Mobile")

Gross Profit

During the three months ended 31 March 2008, the Group's unaudited gross profit amounted to approximately RMB0.7 million and gross profit margin amounted to 7.5%, representing a material decrease when compared to the gross profit margin of 19.5% for the corresponding period in the year 2007. The decrease was mainly due to (a) the decrease of contribution from export sales of which the profit margin was higher than the domestic sales by approximately 3 to 5 times; and (b) the increase of average cost as the total sales for current period decreased and fixed costs remained unchanged.

Operating Costs and Expenses

Distribution costs of the Group amounted to approximately RMB4.5 million for the three months ended 31 March 2008, representing an increase of approximately RMB0.4 million or approximately 8.8% comparing with the corresponding period in the year 2007. The increase was mainly due to the establishment of a new overseas office during the period for strengthening the direct communication with customers.

Administrative expenses were approximately RMB6.5 million for the three months ended 31 March 2008, representing a decrease of approximately RMB0.7 million or approximately 10.2% when comparing with the corresponding period in the year 2007. Major administrative expenses represented depreciation on property, plant and equipment, staff salary, bank charges and exchange losses. The decrease was mainly due to continued cost control exercised by the Group which resulted in a general decrease in administrative expenses.

Other operating expenses amounted to approximately RMB3.2 million, representing a decrease of approximately RMB1.0 million when comparing with the corresponding period in last year. The amount mainly represented research and development cost and amortization of capitalized research and development cost.

Finance costs amounted to approximately RMB2.2 million for the three months ended 31 March 2008, mainly represented interest expenses, which decreased by approximately RMB0.2 million, comparing with the corresponding period in the year 2007. The decrease was mainly due to decrease in average monthly bank loan balance during the current period when compared with that in year 2007.

Consequently, during the three months ended 31 March 2008, the Group recorded an unaudited net loss of approximately RMB15.6 million, representing an increase by RMB3.5 million as compared to the net loss of approximately RMB12.1 million for the corresponding period in the year 2007.

PROSPECTS

Regarding 3G opportunities, China Mobile had launched trials of a 3G mobile service in eight Chinese cities including Beijing, Shanghai, Tianjin, Shenyang, Qinhuangdao, Guangzhou, Shenzhen and Xiamen on 1 April 2008. The test involved a total of approximately 20,000 users. The Directors expect the PRC government will release the 3G licence before Beijing Olympic Games and the investment on 3G development will bring tremendous opportunities and growth to the Group in the coming years.

Besides, the Group will continue to develop international markets in order to broaden customer base and improve profit margin. In March 2008 and subsequent to 31 March 2008, the Group received new orders from India market amounting to approximately US\$5.1 million and US\$4.5 million, and both contracts will be completed in mid-June 2008. The Directors believe that export sales will continue to increase the contribution to the Group's turnover.

To improve the decrease of profit margin, the Group will continue its focus on exercising the cost control and boarden the high margin product portfolio.

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 31 March 2008, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) and chief executives of the Company, including their respective associates, in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register

required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Domestic Shares of the Company

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

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

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

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 March 2008 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.

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

As at 31 March 2008, 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 31 March 2008, the following persons or entities (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

(A) Substantial shareholders of the Company

Long positions in Domestic Shares of the Company

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

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Name of shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706	15.47%	11.60%
Zhang Yinghua (張英華)	Personal	Held by controlled corporation	75,064,706 (Note 2)	15.47%	11.60%
西安國際信託投資有限公司 (Xi'an International Trust & Investment Co., Ltd.*,"XITIC")	Corporate	Beneficial owner	70,151,471	14.45%	10.84%
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.45%	10.84%
上海証大投資管理有限公司 (Shanghai Zendai Investment Management Co., Ltd.*)("Shanghai Zendai")	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.45%	10.84%

Notes:

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

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

Long positions in Domestic Shares of the Company

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

* For identification purpose only

Long positions in H Shares of the Company

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

Notes:

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

Save as disclosed above, as at 31 March 2008, 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 or the management shareholders (as defined in the GEM Listing Rules) of the Company have any 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 31 March 2008, 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 three months ended 31 March 2008 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 three months ended 31 March 2008, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2008, the Company has adopted a code of conduct for securities transactions by Directors (the "Code"), which is no less exacting than the required terms for dealings of Shares by Directors as set out in Rule 5.48 to 5.67 of the GEM Listing Rules. In addition, the Company has made specific inquiry with all the Directors, and has not been notified of any noncompliance with the standard for dealings of securities by Directors and the Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2008.

By order of the Board
Professor. Xiao Liangyong
Chairman

Xi'an, the PRC, 9 May 2008

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. Xing Changling (杏昌靈先生), Mr. Luo Maosheng (羅茂生先生), Mr. Sun Wenguo (孫文國先生), Ms. Wang Jing (王京女士) and Mr. Li Wenqi (李文琦先生), 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.