



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 with limited liability)*

Third Quarterly Report **2003**

\* for identification purposes only

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

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*This report, for which the directors of Xi’an Haitian Antenna Technologies Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Xi’an Haitian Antenna Technologies Company Limited. 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.*

## HIGHLIGHTS

- Achieved a turnover of approximately RMB152,900,000 and RMB60,200,000 respectively for the nine months and three months ended 30 September 2003, representing an increase of approximately 70.3% and 18.7% respectively as compared with the turnover for the corresponding period in 2002.
- Accomplished a net profit of approximately RMB22,700,000 and RMB11,500,000 respectively for the nine months and three months ended 30 September 2003, representing an increase of approximately 65.2% and a decrease of approximately 18.7% respectively as compared with the net profit for the corresponding period in 2002.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2003.

The board of directors (the “Board”) of Xi’an Haitian Antenna Technologies Company Limited (the “Company”) is pleased to present the quarterly report of the Company for the three months ended 30 September 2003.

## QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

For the nine months and three months ended 30 September 2003, the Company recorded an unaudited turnover of approximately RMB152,900,000 and RMB60,200,000, representing a growth of approximately RMB63,100,000 and RMB9,500,000, or approximately 70.3% and 18.7% as compared with the turnover of the corresponding period in 2002.

For the nine months and three months ended 30 September 2003, the Company recorded an unaudited net profit of approximately RMB22,700,000 and RMB11,500,000, representing an increase of approximately RMB9,000,000, or approximately 65.2% and a decrease of approximately RMB2,600,000, or approximately 18.7%, as compared with the net profit of the corresponding period in 2002.

The unaudited results of the Company for the three months and nine months ended 30 September 2003 together with the unaudited comparative figures for the corresponding period in 2002 are as follows:

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Turnover	2	<b>60,169</b>	50,701	<b>152,871</b>	89,791
Cost of sales		<b>(30,788)</b>	(19,404)	<b>(77,365)</b>	(39,410)
Gross profit		<b>29,381</b>	31,297	<b>75,506</b>	50,381
Other operating income		<b>326</b>	43	<b>762</b>	179
Distribution costs		<b>(6,292)</b>	(6,886)	<b>(18,728)</b>	(14,227)
Administrative expenses		<b>(4,620)</b>	(2,386)	<b>(12,868)</b>	(7,687)
Other operating expenses		<b>(3,415)</b>	(2,718)	<b>(12,295)</b>	(7,893)
Profit from operations		<b>15,380</b>	19,350	<b>32,377</b>	20,753
Finance costs		<b>(1,084)</b>	(997)	<b>(3,963)</b>	(2,921)
Profit before taxation		<b>14,296</b>	18,353	<b>28,414</b>	17,832
Taxation	3	<b>(2,809)</b>	(4,222)	<b>(5,709)</b>	(4,092)
Net profit attributable to shareholders		<b>11,487</b>	14,131	<b>22,705</b>	13,740
Earnings per share – Basic	4	<b>RMB0.023</b>	RMB0.028	<b>RMB0.045</b>	RMB0.027

Notes:

**1. Basis of presentation**

The predecessor of the Company, Xi'an Haitian Communications Equipment Company Limited, was established on 13 October 1999 as a limited liability company in the People's Republic of China (the "PRC") and was transformed into the Company, a joint stock company with limited liability incorporated in the PRC, on 11 October 2000. The Company's H shares were listed on the GEM on 5 November 2003, details of which are set out in the prospectus of the Company dated 24 October 2003 (the "Prospectus").

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

**2. Turnover**

Turnover represents the amounts received and receivable for goods sold exclusive of value added taxes, less returns and allowance to third party during the period.

As sale of telecommunication products is the only reportable business segment of the Company and the operations of the Company are mainly carried out in the PRC. No segment information is presented.

**3. Taxation**

	For the three months ended 30 September		For the nine months ended 30 September	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
PRC income tax	<u>2,809</u>	<u>4,222</u>	<u>5,709</u>	<u>4,092</u>

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 Hi-tech Industrial Development Zone. Pursuant to relevant laws and regulations in the PRC, the Company is exempted from income tax for the two years starting from their first production year followed by an income tax rate of 15% in the remaining years of operation. Therefore, the Company was exempted from income tax for the first two years since its production commenced in 2000 and is subject to an income tax payable of 15% thereafter.

There was no significant unprovided deferred taxation for the periods or at the respective balance sheet dates.

**4. Earnings per share**

The calculation of the Company's basic earnings per share for the three months and nine months ended 30 September 2003 is based on the Company's unaudited profit of approximately RMB11,487,000 and RMB22,705,000 respectively (2002: approximately RMB14,131,000 and RMB13,740,000 respectively) and 500,000,000 shares in issue.

No diluted earnings per share was presented as there was no potential dilutive securities in existence during the periods.

**5. Statements of changes in equity**

	Registered/ share capital RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 1 January 2002	50,000	2,128	1,487	16,970	70,585
Net loss for the six months ended 30 June 2002	—	—	—	(391)	(391)
As at 30 June 2002	50,000	2,128	1,487	16,579	70,194
Dividends	—	—	—	(15,000)	(15,000)
Net profit for the three months ended 30 September 2002	—	—	—	14,131	14,131
As at 30 September 2002	<u>50,000</u>	<u>2,128</u>	<u>1,487</u>	<u>15,710</u>	<u>69,325</u>
As at 1 January 2003	50,000	5,831	3,338	32,810	91,979
Net profit for the six months ended 30 June 2003	—	—	—	11,218	11,218
As at 30 June 2003	50,000	5,831	3,338	44,028	103,197
Net profit for the three months ended 30 September 2003	—	—	—	11,487	11,487
As at 30 September 2003	<u>50,000</u>	<u>5,831</u>	<u>3,338</u>	<u>55,515</u>	<u>114,684</u>

**6. Dividends**

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2003 (2002: Nil).

**BUSINESS REVIEW AND OUTLOOK****FINANCIAL REVIEW**

The turnover of the Company for the nine months and three months ended 30 September 2003 amounted to approximately RMB152,900,000 and RMB60,200,000, representing a growth of approximately 70.3% and 18.7% when comparing to the corresponding period in 2002. Such increase was mainly attributable to the increase of sales of WLL/PHS base station antenna series and GSM/CDMA antenna series. At the same time, the Company continued to lower selling price of existing model to compete with other manufacturers in the market; as a result, gross profit margin of both WLL/PHS base station antenna series and GSM/CDMA antenna series were lowered on average comparing with the corresponding period in 2002. As a result, the Company reported a net profit of approximately RMB22,700,000 and RMB11,500,000 for the nine months and three months ended 30 September 2003, representing an increase of approximately 65.2% and a decrease of approximately 18.7% when comparing to the corresponding period in previous year.

## BUSINESS REVIEW AND OUTLOOK (Continued)

### Marketing and business development

During the third quarter of the year 2003, the Company continued to solidify the market share of its products and intensify the co-operation with mobile communication network operators namely China Unicom Group and China Mobile Group and with telecommunication equipment vendors/system integrators such as UTStarcom. Orders placed by both mobile communication network operators and telecommunication equipment vendors/system integrators increased. However, the Company was aware of keen competition in the market and has been taking measures to maintain the Company's competitiveness including setting a selling price acceptable in the market and differentiating the Company's product in terms of quality and after-sale services.

### FUTURE PROSPECTS

As the network of CDMA and Xiaolingtong in the PRC is still expanding, the Company will continue to strengthen the business relation with mobile communication network operators and telecommunication equipment vendors/system integrators and to maintain or expand its market share. The Company will continue to communicate with customers or potential customers to maintain quick response to the market's needs, including on price and quality of the Company's product and will continue to strengthen the differentiation of the Company's products in terms of quality and after-sale services.

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

As at 30 September 2003, except for those shares as set out below, none of the directors (the "Directors"), supervisors and chief executives of the Company or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO").

The beneficial interests of the Directors, supervisors and chief executives in the share capital of the Company are as follows:

#### Long positions in shares

Name	Types of interest	Capacity	Number of shares	Approximate percentage of beneficial interests in the Company's share capital
Director				
Professor Xiao Liangyong ("Professor Xiao")	Personal	Beneficial owner	180,000,000	36.0

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

As at 30 September 2003, none of the Directors or supervisors or chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

## SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

So far as was known to any Directors or chief executives of the Company, as at 30 September 2003, the persons or companies (not being a Director or chief executive of the Company) who had equity interests or short positions in the shares of the Company ("Shares") or underlying Shares which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or who were directors indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

### Long positions in share

Name of the Substantial Shareholder	Number of Domestic Shares of RMB0.10 each held	Approximate percentage of shareholding (%)
Professor Xiao ( <i>Note 1</i> )	180,000,000	36.0
Xi'an Jiefang Group Co., Ltd. ( <i>Note 2</i> )	100,000,000	20.0
XITIC ( <i>Note 3</i> )	74,000,000	14.8
Xi'an Finance Bureau ( <i>Note 3</i> )	74,000,000 ( <i>Note 4</i> )	14.8
Shaanxi Baosheng International Investment Company Limited ( <i>Note 3</i> )	74,000,000 ( <i>Note 4</i> )	14.8
BJ Holdings ( <i>Note 5</i> )	60,000,000	12.0
Beijing Holdings Limited ( <i>Note 6</i> )	60,000,000 ( <i>Note 7</i> )	12.0
Shaanxi Silk ( <i>Note 8</i> )	50,000,000	10.0
Shaanxi Finance Bureau ( <i>Note 9</i> )	50,000,000 ( <i>Note 10</i> )	10.0

Notes:

1. Professor Xiao is an executive director and the Chairman of the Company.
2. Xi'an Jiefang Group Co., Ltd. (the "Xi'an Jiefang Group") is a joint stock limited company established in the PRC with its shares listed on the Shenzhen Stock Exchange. Based on the half-yearly report for the six months ended 30 June 2003 and an announcement issued by Xi'an Jiefang Group on 29 July 2003 and 7 August 2003 respectively, as at 2 August 2003, about 33% of the registered capital in Xi'an Jiefang Group was held by public shareholders and there was no single shareholder holding more than one third of voting power of Xi'an Jiefang Group.



## SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO (Continued)

3. Xi'an International Trust & Investment Co., Ltd. ("XITIC") is a limited liability company established in the PRC. The shareholders who hold more than one third of voting power of XITIC are as follows:

Name of shareholder	Approximate percentage in the registered capital of XITIC (%)
Xi'an Finance Bureau	39.6
Shaanxi Baosheng International Investment Co., Ltd.	34.3

Xi'an Finance Bureau is a PRC government authority empowered by the Xi'an Municipal Government to exercise on its behalf, among other matters, the rights and obligations of the Xi'an Municipal Government as an investor. Shaanxi Baosheng International Investment Co., Ltd. is a limited liability company established in the PRC. Based on articles of association of Shaanxi Baosheng International Investment Co., Ltd. adopted during its establishment, Shaanxi Zhongxing Enterprise Holdings Co., Ltd. holds approximately 41.7% of its registered capital.

4. The shares were held by XITIC. By virtue of the SFO, Xi'an Finance Bureau and Shaanxi Baosheng International Investment Co., Ltd. which hold more than one third of voting power of XITIC, were deemed to be interested in the same 74,000,000 shares held by XITIC.
5. Beijing Holdings Investment Management Co., Ltd. ("BJ Holdings") is a company incorporated in the PRC of which registered capital is owned solely by Beijing Holdings Limited.
6. Beijing Holdings Limited is a company incorporated in Hong Kong of which establishment is approved by the then Ministry of Foreign Trade and Economic Co-operation of the PRC and is under the auspices of the Beijing Municipal People's Government.
7. The shares were held by BJ Holdings. By virtue of the SFO, Beijing Holdings Limited which holds more than one third of voting power of BJ Holdings, was deemed to be interested in the same 60,000,000 shares held by BJ Holdings.
8. Shaanxi Silk Import & Export Corporation ("Shaanxi Silk") is a company incorporated in the PRC and is under the auspices of Shaanxi Foreign Trade and Economic Co-operation Bureau. Its entire registered capital is invested/held by Shaanxi Finance Bureau.
9. Shaanxi Finance Bureau is a PRC government authority empowered by the Shaanxi Provincial People's Government to exercise on its behalf, among other matters, the rights and obligations of the Shaanxi Provincial People's Government as an investor.
10. The shares were held by Shaanxi Silk. By virtue of the SFO, Shaanxi Finance Bureau which holds more than one third of voting power of Shaanxi Silk, was deemed to be interested in the same 50,000,000 shares held by Shaanxi Silk.

Save as disclosed above, as at 30 September 2003, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of Share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

## COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

## DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 30 September 2003, trade receivables due from China Unicom Group in aggregate, UTStarcom, China Mobile Group in aggregate and other trade customers (in aggregate) amounted to approximately RMB72,300,000, approximately RMB29,600,000, approximately RMB26,700,000 and approximately RMB11,300,000 respectively. Such trade receivables in an aggregate amount of RMB139,900,000 owed by a total of 35 debtors which are trade customers and Independent Third Parties.

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 customers and no interest is charged on such balances. The balances from China Unicom Group (in aggregate), UTStarcom and China Mobile Group (in aggregate) represented approximately 75.7%, 31.0% and 27.9% respectively of the Company's net tangible assets as at 30 September 2003. This constitutes a disclosure obligation on the part of the Company pursuant to Rule 17.15 of the GEM Listing Rules as the relevant advance to an entity from the Company exceeds 25% of the Company's net tangible assets.

According to the Directors, the Company has not encountered any negative impact to its operations or business despite the Company's significant exposure to China Unicom Group, UTStarcom and China Mobile Group. In addition, the Directors believe that with the strong backing of these customers, the Company is able to further expand its business as one of the leading providers of the base station antennas and related products in the PRC. Since there are only two mobile telecommunication operators in the PRC for GSM/CDMA networks as at 30 September 2003, namely China Unicom Group and China Mobile Group, and UTStarcom as a major supplier to China Telecommunications Corporation for WLL/PHS base station antennas, reliance on these customers becomes industry norm and practice for the Company's nature of business.

Save for the aforesaid, as at 30 September 2003, the Directors were not aware of any circumstances which would give rise to a disclosure requirement under Rule 17.15 of the GEM Listing Rules.

## **SPONSOR'S INTERESTS**

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("Core Pacific - Yamaichi"), neither Core Pacific - Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 30 September 2003. Pursuant to the sponsor agreement dated 24 October 2003 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the remaining period up to 31 December 2005 or until the sponsor agreement is terminated pursuant to the terms and conditions set out therein.

## **AUDIT COMMITTEE**

The Company established an audit committee on 4 April 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee comprises the two independent non-executive directors, Mr. Deng Yuanming and Mr. Gong Shuxi with Mr. Deng Yuanming as the chairman. The quarterly report of the Company for the three months ended 30 September 2003 has been reviewed by the Company's audit committee.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not purchased, sold or redeemed any listed securities of the Company during the period from 1 January 2003 to 30 September 2003.

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

14 November 2003, Xi'an, the PRC