西安海天天綫科技股份有限公司

XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

FINAL RESULTS ANNOUNCEMENT

(for the year ended 31 December 2003)

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.

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The Stock Exchange takes no responsibility for the contents of this announcement, 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 announcement.

This announcement, for which the directors of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Xi'an Haitian Antenna Technologies Co., Ltd.. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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*

SUMMARY

For the year ended 31 December 2003, the turnover was approximately RMB226.7 million, representing an increase of 37.8% over the last year.

For the year ended 31 December 2003, the net profit was approximately RMB43.0 million, representing an increase of 18.1% over the last year.

The Directors recommend the payment of a final dividend of RMB0.005 per share in respect of the year ended 31 December 2003 to shareholders on the register of members at 4:00 p.m. on 13 April 2004.

FINAL RESULT

The board of Directors (the "Board") of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company") hereby submits the audited operating results of the Company for the year ended 31 December 2003, together with the comparative figures for the corresponding period in the year 2002 as follows:

Income Statement
For the year ended 31 December 2003

	Notes	**2003** *RMB*	2002 *RMB*
Turnover		**226,731,785**	164,525,831
Cost of sales		**(112,824,028)**	(73,091,608)
Gross profit		**113,907,757**	91,434,223
Other operating income		**2,987,098**	2,120,260
Distribution costs		**(24,454,516)**	(17,974,095)
Administrative expenses		**(20,898,230)**	(11,897,950)
Other operating expenses		**(13,060,712)**	(15,095,329)
Profit from operations	*5*	**58,481,397**	48,587,109
Finance costs		**(4,954,481)**	(4,025,294)
Profit before taxation		**53,526,916**	44,561,815
Income tax expenses	*6*	**(10,518,081)**	(8,168,467)
Net profit for the year		**43,008,835**	36,393,348
Dividend	*7*	**3,235,294**	15,000,000
Earnings per share – Basic	*8*	**8.2 cents**	7.3 cents

Notes to the Financial Statement

For the year ended 31 December 2003

1. REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Xi'an Haitian Communication Equipment Company Limited西安海天通訊設備有限公司 (the "Predecessor") was established in Xi'an, the People's Republic of China (the "PRC") on 13 October 1999 as a limited liability company. Through a reorganisation (the "Reorganisation"), the Predecessor was transformed into a joint stock limited company, Xi'an Haitian Antenna Technologies Company Limited西安海天天綫科技股份有限公司 (the "Company"), which was established in the PRC on 11 October 2000.

Upon its establishment, the Company continued to carry on the business activities of the Predecessor for research and development, manufacture and sale of base station antenna and related products. Accordingly, for the purposes of preparation of the financial statements, the Company and the Predecessor is regarded as one continuing entity.

Following the consent from the China Securities Regulatory Commission ("CSRC") on 22 April 2003, the Company's overseas-listed foreign shares ("H Shares") were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2003.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS''), issued by the Hong Kong Society of Accountants ("HKSA''), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP'') and Interpretations approved by the HKSA:

Income Taxes

In the current year, the Company has adopted "SSAP 12 (Revised)'' "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP12 (Revised) had had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

4. SEGMENT INFORMATION

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, accordingly, no segment information is presented.

5. PROFIT FROM OPERATIONS

	2003	2002
	RMB	*RMB*
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	**6,470,668**	5,042,796
Less: Depreciation and amortisation included in research and development costs	**(969,570)**	(1,650,846)
Depreciation and amortisation capitalised in development costs	**(1,519,798)**	–
	3,981,300	3,391,950
Amortisation of development cost (included in other operating expenses)	**196,819**	–
Amortisation of technological know-how (included in other operating expenses)	**1,000,000**	1,000,000
Amortisation of land use right (included in administrative expenses)	**259,089**	259,089
Total depreciation and amortisation	**5,437,208**	4,651,039

6. INCOME TAX EXPENSES

	2003	2002
	RMB	*RMB*
Current tax	**10,018,081**	8,168,467
Deferred tax	**500,000**	–
	10,518,081	8,168,467

The amount represents provision for PRC Enterprise Income Tax on the Company's estimated assessable profit for the year.

7. DIVIDEND

The Directors recommend the payment of a final dividend of RMB0.005 per share in respect of the year ended 31 December 2003 to shareholders on the register of members at 4:00 p.m. on 13 April 2004.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of RMB43,008,835 (2002: RMB36,393,348) and the weighted average number of 522,965,351 shares in issue during the year (2002: 500,000,000 shares as if the sub-division of shares had taken place at 1 January 2002).

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT OF OPERATIONS

The Company recorded a total turnover of approximately RMB226.7 million and a net profit of approximately RMB43.0 million for the year ended 31 December 2003. The Company had continued to develop as compared to a turnover of approximately RMB164.5 million and net profit of approximately RMB36.4 million in the last year. The Company's turnover increased by 37.8% from the last year. The increase in turnover was the results of continuing expansion of CDMA and Xiaolingtong network in the PRC and the Company's success in the maintaining close cooperation relation with its major customers including UTStarcom Telecom Co., Ltd. ("UTStarcom"), 中國移動通信集團有限公司 (China Mobile Communications Corporation) and its subsidiaries and branch offices (collectively "China Mobile Group") and 中國聯合通信有限公司 (China United Telecommunications Corporation and its subsidiaries and branch offices (collectively "China Unicom Group").

The Company gross profit margin was 50.2% for the year 2003 as compared to a gross profit margin of 55.6% for the year 2002. The Company continued to adopt the existing strategy of maintaining market share by lowering selling price of products after they are launched for a period of time. However, the Company has been adopting cost controlling measures including subcontracting certain parts of the production process of WLL/PHS base station antenna series.

The Company recorded other operating income, which mainly comprised of subsidy for interest expenditure incurred for obtaining external finance by the Company for the construction of property, plant and equipment, for upgrading existing production capacity and to encourage export sales, of approximately RMB3.0 million for the year 2003, comparing to the other operating income, which mainly comprised of income received from network inspection services provided to customers, of approximately RMB2.1 million for the year 2002.

Distribution costs increased for approximately 36.1% from approximately RMB18.0 million for the year 2002 to approximately RMB24.5 million for the year 2003. The increase was in line with the increase in the Company's turnover. Percentage of distribution costs to turnover was 10.8% for the year 2003, approximate to 10.9% for the year 2002.

Administration expenses increased for approximately 75.6% from approximately RMB11.9 million for the year 2002 to approximately RMB20.9 million for the year 2003. The increase was mainly due to the increase in payroll and staff welfare expenses, traveling expenses and motor vehicle expenses.

Other operating expenses mainly comprised of amortization of intangible assets, provision for trade receivables and product research and development costs. Total other operating expenses decreased for approximately 13.2% from approximately RMB15.1 million for the year 2002 to approximately RMB13.1 million for the year 2003. The decrease was mainly due to that allowance made for doubtful debts decreased by approximately RMB2.6 million. At the same time, approximately RMB6.4 million (2002: nil) of product research and development costs had been capitalized. The total product research and development costs, including capitalized and directly charged to income statement as expense, increased because the Company continued its policy of differentiating itself from competitors by maintaining advancement in technologies.

Trade receivables, before allowance for doubtful debts, as at 31 December 2003 amounted to approximately RMB165.4 million, increased for approximately RMB61.2 million or 58.7% from the balance as at 31 December 2002. The increase was mainly due to increase in turnover. Debtor turnover day (calculated as trade receivables before allowance net of value added tax divided by turnover) for the year 2003 was 228 days (2002: 198 days). As sales to China Mobile Group and China Unicom Group were mainly made in the third and forth quarter and the two groups of customers settle trade debt by instalments of which, settlement time are mutually determined and agreed by the relevant parties; such instalments are usually agreed to the settled in a period of time longer than the 90 days to 240 days credit terms granted to other customer, trade receivable balance at the year end is usually higher than at other month ends. Further, according to sale and purchase contracts with the two groups of customers. 10% of sale price are kept by the customers as retention monies for quality assurance. Such retention monies will be released after the network where the Company's antennas are installed passes the final testing. As sale to the two groups of customers was increasing and retention monies accumulated as the final testing condition of releasing the monies had not yet been fulfilled, long aged trade receivable due from the two groups of customers increased. For prudence, approximately RMB1.7 million of allowance has been made in addition to the allowance made in previous accounting periods for trade receivables. As at 31 December 2003, total allowance for doubtful debts amounted to approximately RMB7.3 million. Considering that the Company's major customers such as China Unicom Group, China Mobile Group and UTStarcom are well-financed listed companies or companies affiliated to listed companies and that repayment history of trade debts including those balance for which allowance for doubtful debts had been provided before were satisfactory, the Directors considers current level of allowance for doubtful debts sufficient. The Company is aware of the trade receivable position and has taken more active actions including reminding customers to pay during customer visit, sending written payment reminders and even taking legal action to customers having long-outstanding trade debts. The Company finances the working capital, which is partially invested in trade receivable balance, by cash generated from operation, by trade financing facilities such as issuing bills of exchange back by partial payment and by short term bank loans.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Company was mainly financed by proceeds from placing of shares, cash from operations and banking facilities.

From 1 January 2003 to 31 December, 2003, short-term borrowings increased from approximately RMB43.1 million to approximately RMB54.7 million and long term borrowings increased from approximately RMB30.0 million to RMB50.0 million. Total borrowings amounted to RMB104.7 million as at 31 December 2003. These borrowings were mainly used for the Company's daily operation and acquisition of fixed assets.

As at 31 December 2003, all of the Company's borrowings bear interest of fixed rate ranged from 4.2% to 5.49%. Since all the borrowings were denominated in RMB, exposure to foreign exchange risk was minimal.

The Company's borrowings are repayable as follows:

	RMB million
Within 1 year	54.7
More than 1 year, but not exceeding 2 years	–
More than 2 years, but not exceeding 5 years	50.0
	104.7

Over the year, the Company's gearing ratio decreased to 47.4% (2002: 79.5%), which is calculated based on total bank and other borrowings of approximately RMB104.7 million and total shareholders' funds of approximately RMB220.9 million. Cash and cash equivalents increased from approximately RMB21.0 million to RMB113.6 million. Most of the Company'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 Company's businesses in the areas of the currencies concerned.

CHARGES ON COMPANY ASSETS

As at 31 December 2003, the Company pledged a bank deposit of approximately RMB24.8 million, buildings of net book value of approximately RMB24.3 million, land use right of net book value of approximately RMB12.1 million and trade receivables of approximately RMB10.9 million for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2003, the Company did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Since most of the transactions of the Company are denominated in RMB, the Company has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review. The Company did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2003, the Company had approximately 525 full-time employees. Total staff cost for the year 2003 amounted to approximately RMB29.1 million (2002: RMB18.1 million), including remuneration of the Directors' and members of supervisory committee (the "Supervisors") and staff costs included in research and development costs and capitalized. The Company 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 Company provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Company at the discretion of the directors and depending upon the financial performance of the Company. The Company has not granted share option scheme to its directors and full-time employees.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2003 and as at the balance sheet date, the Company did not hold investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2003, the Company had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB6.3 million (2002: RMB0.4 million). Save as disclosed herein and the business objectives set out in the prospectus of the Company, the Company did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2003, the Company did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. The Company has not purchased or sold any of the Company's shares during the year.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 December 2003, trade receivables due from members of China Unicom Group (in aggregate), members of China Mobile Group (in aggregate), UTStarcom and other trade customers (in aggregate) amounted to approximately RMB99.1 million, RMB35.8 million, RMB11.8 million and RMB18.7 million respectively. Such trade receivables in an aggregate amount of approximately RMB165.4 were owed by trade customers who are 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 due from China Unicom Group (in aggregate), China Mobile Group (in aggregate) and UTStarcom represented approximately 50.6%, 18.3% and 6.0% of the Company's net tangible assets as at 31 December 2003. As the amount due from China Unicom Group (in aggregate) was more than 25%, of the Company's net tangible assets as at the balance sheet date, 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. Each of China Unicom Group, China Mobile Group and UTStarcom is independent from each other. Save for the aforesaid, the Directors have confirmed that, as at 31 December 2003, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 17.15 of the GEM Listing Rules. According to the Directors, the terms of such advance are on normal commercial terms and in the ordinary course of business.

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. 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 31 December 2003, namely China Unicom Group and China Mobile Group, and UTStarcom as a major supplier to China Telecom for WLL/PHS base station antennas, reliance on these customers becomes industry norm and practice for the Company's nature of business.

As confirmed by the Directors, for the purpose of disclosure according to Rule 17.15 of the GEM Listing Rules, trade receivables pledged or factored to banks as securities for bank borrowings are included as part of outstanding advances to customers. Save for the above, the Directors confirmed that there is no other disclosure obligation under Rule 17.15 to Rule 17.21 of the GEM Listing Rules.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2003, sales to the top five customers and the largest customer accounted for approximately 94.7% (2002: 88.1%) and 37.3% (2002: 36.5%) respectively of the Company's total turnover.

For the year ended 31 December 2003, purchase from the top five suppliers and the largest supplier accounted for approximately 59.1% (2002: 36.0%) and 23.0% (2002: 10.5%) respectively of the Company's total purchases.

ORDERS RECEIVED AND PROSPECTS FOR NEW BUSINESS

The Company's customers give short delivery period when place orders. Therefore, there was no material order received as at 31 December 2003.

The Company will continue to be engaged in research and development, manufacture and sale of base station antennas and related telecommunication equipment products. The Company plans to expand its product lines into other products and services related to telecommunication base station antennas and equipment, especially provision of software adhesive to antenna and base station and network optimization services. The Directors expect that revenues generated from provision of such antenna and base station adhesive software and services will contribute not less than 10% of the Company's turnover in the coming year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

At 31 December 2003, the interests of the directors and supervisors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in domestic shares of RMB0.10 each of the Company

Name of director	Type of interest	Capacity	Number of issued domestic shares held	Percentage of the issued share capital of the Company
Professor Xiao Liangyong	Personal	Beneficial owner	180,000,000	27.8%

Other than as disclosed above, none of the directors, supervisors nor their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31 December 2003.

ARRANGEMENTS TO PURCHASE SHARES

Other than disclosed in the heading under "Directors' and Supervisors' Interests in Securities" above, at no time during the year was the Company a party to any arrangement to enable the directors and supervisors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") had an interest in any business which competes or may compete with the business of the Company.

SPONSOR'S INTEREST

As notified and updated by Core Pacific-Yamaichi Capital Limited ("CPY Capital"), the Company's sponsor, pursuant to Rule 6.35 of the GEM Listing Rules, as at 31 December 2003, Core Pacific-Yamaichi International (H.K.) Limited, an associate (as referred to in Note 3 to the Rule 6.35 of the GEM Listing Rules) of CPY Capital, held 508,000 shares in the Company. Save as disclosed herein, neither CPY Capital nor its directors or employees or associates had any interests in share capital of the Company. Pursuant to the 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 retained sponsor for the periods from 5 November 2003 up to 31 December 2004 and from 1 January 2005 up to 31 December 2005 or until the Agreement is terminated upon the terms and conditions set out therein respectively.

AUDIT COMMITTEE

An audit committee was established on 4 April 2003 with terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the financial reporting process and internal control system of the Company.

Mr. Gong Shuxi and Mr. Li Wenqi, an independent non-executive director and a non-executive director, respectively, have been appointed as members to the audit committee. Mr. Deng Yuanming, an independent non-executive director, was appointed as the Chairman of the audit committee.

One meeting of audit committee was held during the year ended 31 December 2003, while members of the committee visited and monitored the operation of the Company during the same period.

CORPORATE GOVERNANCE

The Company has compiled with in the period from its listing date to 31 December 2003 with the Code of Best Practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not purchase, sell or redeem any of the Company's listed securities during the period from its listing date to 31 December 2003.

By order of the Board
Xi'an Haitian Antenna Technologies Co., Ltd.
Professor XIAO Liangyong
Chairman

19 March 2004
Xi'an, the People's Republic of China

This announcement will remain on the GEM website at "www.hkgem.com" on the "Latest Company Announcements" page for at least 7 days from the day of its posting.