



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)
(Stock Code: 8227)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2004

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

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This announcement, for which the directors (the “Directors”) of Xi’an Haitian Antenna Technologies Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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 three months ended 31 March 2004, the unaudited turnover was RMB34,173,678.
- For the three months ended 31 March 2004, the unaudited net loss was RMB3,462,178.
- The Board does not recommend the payment of any dividend in respect of the three months ended 31 March 2004.

QUARTERLY RESULT FOR THE THREE MONTHS ENDED 31 MARCH 2004

The board of Directors (the “Board”) of the Company hereby submits the unaudited operating results of the Company for the three months ended 31 March 2004, together with the unaudited comparative figures for the corresponding period in the year 2003 as follows:

For the three months ended 31 March 2004, the unaudited turnover was RMB34,173,678.

For the three months ended 31 March 2004, the unaudited net loss was RMB3,462,178.

| | | For the three months ended 31 March | |
|----------------------------------|--------------|--|-------------------------|
| | | 2004 | 2003 |
| | <i>Notes</i> | RMB | RMB |
| Turnover | 3 | 34,173,678 | 38,755,511 |
| Cost of sales | | (18,763,077) | (19,044,081) |
| Gross profit | | 15,410,601 | 19,711,430 |
| Other operating income | | 76,677 | 49,828 |
| Distribution costs | | (10,924,689) | (5,120,117) |
| Administrative expenses | | (4,851,696) | (3,931,167) |
| Other operating expenses | | (1,862,478) | (4,161,210) |
| (Loss)/profit from operations | | (2,151,585) | 6,548,764 |
| Finance costs | | (1,310,593) | (966,112) |
| (Loss)/profit before taxation | | (3,462,178) | 5,582,652 |
| Income tax expenses | 4 | – | (1,087,874) |
| Net (loss)/profit for the period | | <u>(3,462,178)</u> | <u>4,494,778</u> |
| Dividend | 5 | <u>–</u> | <u>–</u> |
| (Loss)/earning per share – Basic | 6 | <u>(0.5) cents</u> | <u>0.9 cents</u> |

NOTES TO THE FINANCIAL STATEMENT

For the three months ended 31 March 2004

1. REORGANISATION

The predecessor of the Company, 西安海天通訊設備有限公司 Xi'an Haitian Communications Equipment Company Limited* (the "Predecessor"), 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.

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 approval obtained from the China Securities Regulatory Commission on 22 April 2003, the Company's overseas-listed foreign shares ("H Shares") were listed on GEM 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. ACCOUNTING POLICIES

The quarterly financial information of the Company have been prepared under the historical cost convention and the accounting policies adopted by the Company are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2003.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold to customers exclusive of value added tax, less returns and allowances.

4. INCOME TAX EXPENSES

| | For the three months ended 31 March | |
|--------------------------|--|-------------|
| | 2004 | 2003 |
| | RMB | RMB |
| PRC Corporate Income Tax | — | (1,087,874) |

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

5. DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2004 (2003: nil).

6. (LOSS)/EARNING PER SHARE – BASIC

The calculation of the basic loss/earning per share is based on the unaudited net loss for the three months ended 31 March 2004 of approximately RMB3,462,178 (2003: net profit of approximately RMB4,494,778) and the number of 647,058,824 shares in issue (2003: 500,000,000).

No diluted (loss)/earning per share has been presented because there is no potential ordinary shares outstanding during either period.

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7. RESERVES

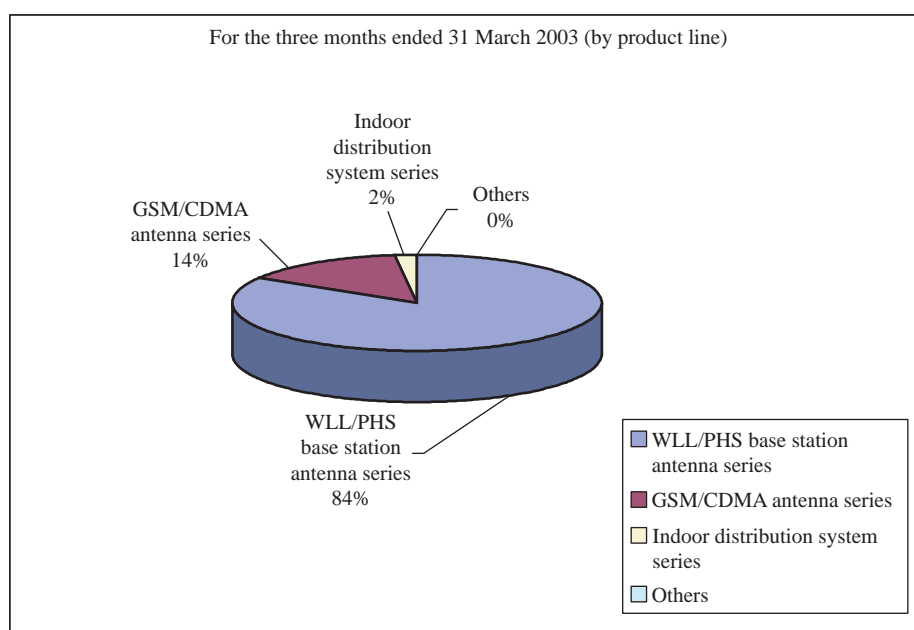
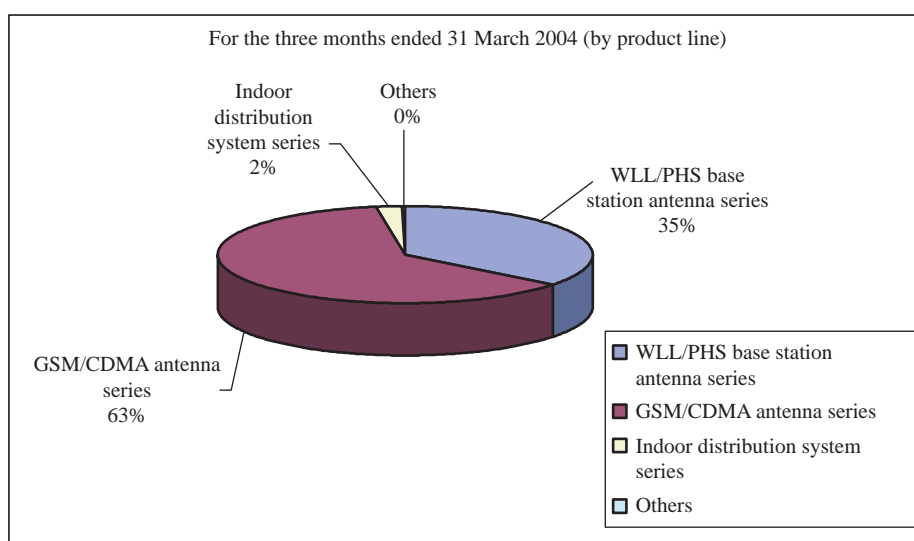
| | Share premium <i>RMB</i> | Statutory surplus reserve <i>RMB</i> | Statutory public welfare fund <i>RMB</i> | Accumulated profits <i>RMB</i> | Total <i>RMB</i> |
|---------------------------|--|--|--|--|----------------------------|
| At 1 January 2003 | – | 5,831,071 | 3,338,519 | 32,809,619 | 41,979,209 |
| Net profit for the period | – | – | – | 4,494,778 | 4,494,778 |
| At 31 March 2003 | <u>–</u> | <u>5,831,071</u> | <u>3,338,519</u> | <u>37,304,397</u> | <u>46,473,987</u> |
| At 1 January 2004 | 71,228,946 | 9,503,111 | 5,174,539 | 70,310,394 | 156,216,990 |
| Net loss for the period | – | – | – | (3,462,178) | (3,462,178) |
| At 31 March 2004 | <u>71,228,946</u> | <u>9,503,111</u> | <u>5,174,539</u> | <u>66,848,216</u> | <u>152,754,812</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

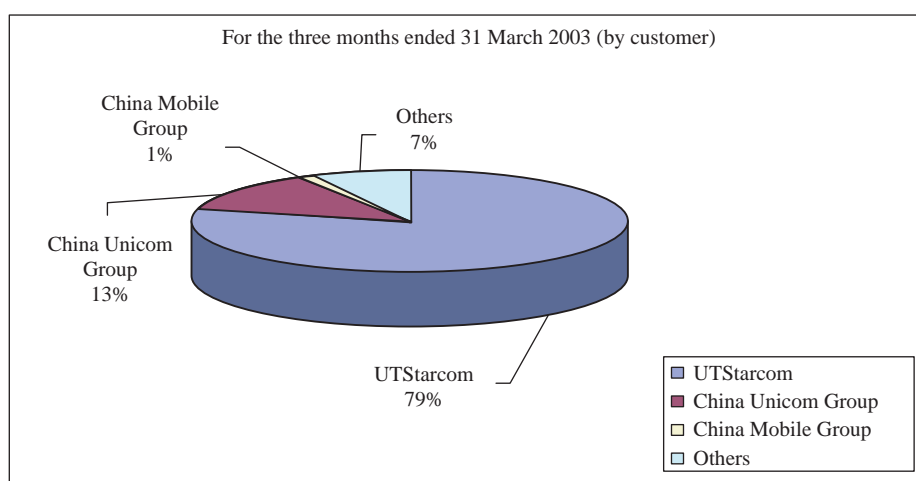
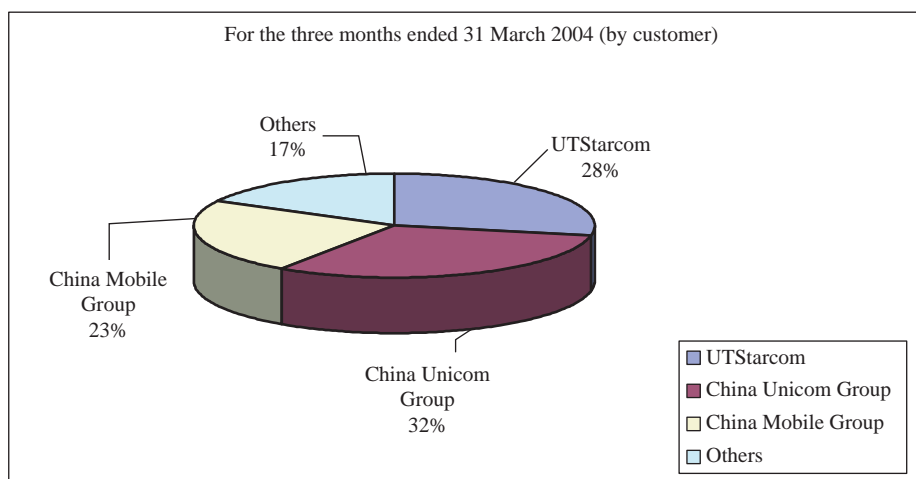
The Company recorded a total turnover for the three months ended 31 March 2004 of approximately RMB34,173,678, decreased comparing with that of the corresponding period in the year 2003. The decrease was mainly due to purchase WLL/PHS base station antenna series from the operators of “Xiaolingtong” network in the PRC decreased; however, during the same period, as purchase of GSM/CDMA antenna series by 中國聯合通信有限公司 China United Telecommunication Corporation* and its subsidiaries (branch offices) (collectively “China Unicom Group”) and 中國移動通信集團公司 China Mobile Communications Corporation* and its subsidiaries (branch offices) (collectively “China Mobile Group”) increased when comparing with the purchase for corresponding period in the year 2003, the decrease in total turnover has been offset.

Composite of turnover by product line for the three months ended 31 March 2004, together with the comparative figures for the corresponding period in the year 2003, is provided as follows:



* for identification purpose only

Composite of turnover by major customer for the three months ended 31 March 2004, together with the comparative figures for the corresponding period in the year 2003, is provided as follows:



At the same time, due to high level of competition in the market, the Company continued to lower the selling prices of existing product models to compete with other manufacturers. It resulted in the lowering of the Company's gross margin for WLL/PHS base station antenna series and GSM/CDMA antenna series. Meanwhile, in order to increase marketing effort of the Company's new products including smart antenna series and to enhance the Company's business relation with customers, distribution cost increased by approximately RMB5.8 million, or approximately 113.7% over that of the corresponding period in year 2003, when comparing with that of the corresponding period in the year 2003. Total administrative expenses increased by approximately RMB1.0 million, or 25.6% over that of the corresponding period in year 2003, due to increase in a) professional fee for improving management; b) contribution to staff housing pension fund as more staff have been qualified for the welfare; and c) property tax as the result of construction of new testing centre buildings has been completed around the beginning of the period, although other normal administrative expenses was not increased significantly since the Company has been continuing improving expense control measures. As product research and development cost amounted to RMB4.0 million was capitalized during the period, other operating expenses decreased for approximately RMB2.3 million, or 54.8% when comparing with that of the corresponding period in year 2003. As the result, the Company recorded a net loss of approximately RMB3,462,178 for the three months ended 31 March 2004.

MARKETING AND BUSINESS DEVELOPMENT

During the first quarter of the year 2004, 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. As a result, orders placed by mobile communication network operators increased; however, due to construction of WLL/PHS networks was slower comparing with the year 2003, actual orders received for WLL/PHS base station antenna series decreased comparing with those of the corresponding period in the year 2003. Nevertheless, the Directors found no evidence showing that construction of WLL/PHS networks had been decreased or stopped and expected that sales of GSM/CDMA antenna series will still continue to grow in the future.

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, differentiating the Company's product in terms of quality and after-sale services and launching high value-added new product series.

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 such as UTStarcom Telecom Co., Ltd. ("UTStarcom") and to maintain or expand its market share. The Company will continue to communicate with existing or potential customers to maintain quick response to the market's needs, including on price and quality of the Company's products and will continue to strengthen the differentiation of the Company's products in terms of quality and after-sale services. The Company is also preparing to launch new series of smart antenna products to maintain higher margin and on the other hand generate new revenue.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2004, save for those shares as set out below, none of the Directors, members of the supervisory committee ("Supervisors") and chief executives of the Company and their associates had any personal, family, corporate or other interests 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 Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors.

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

Long positions in the shares of the Company

| Name of Director | Type of interest | Capacity | Number of the issued domestic shares of RMB0.10 each held | Approximate percentage in the issued share capital of the Company |
|--|------------------|------------------|---|---|
| Professor Xiao Liangyong (Professor Xiao) | Personal | Beneficial owner | 180,000,000 | 27.8% |

Other than as disclosed above, none of the Directors, Supervisors and chief executive nor their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31 March 2004.

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

So far as was known to any Directors, Supervisors or chief executives of the Company, as at 31 March 2004, none of the Directors, 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 or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND DISCLOSURE UNDER SFO

As at 31 March 2004, in accordance with the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the following persons or companies (not being a Director or chief executive of the Company) had notified the Company that they 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 deemed to be directly or indirectly interested in 5% 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 the shares of the Company

| Name of Substantial Shareholder | Type of interest | Capacity | Number of the issued Shares of RMB0.10 each held | Approximate percentage in the issued share capital of the Company |
|---|-------------------------|-----------------------------------|---|--|
| Domestic Shares | | | | |
| Professor Xiao | Personal | Beneficial owner | 180,000,000 | 27.8% |
| 西安解放集團股份有限公司 Xi'an Jiefang Group Joint Stock Co., Ltd.* | Corporate | Beneficial owner | 100,000,000 | 15.5% |
| 西安國際信託投資有限公司 Xi'an International Trust & Investment Co., Ltd.* | 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 1) | 10.8% |
| 陝西保升國際有限責任公司 Shaanxi Baosheng International Investment Company Limited* | Corporate | Held by controlled corporation | 70,151,47 (Note 1) | 10.8% |

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| Name of Substantial Shareholder | Type of interest | Capacity | Number of the issued Shares of RMB0.10 each held | Approximate percentage in the issued share capital of the Company |
|---|------------------|--------------------------------|--|---|
| Domestic Shares | | | | |
| 北京京泰投資管理中心 Beijing Holdings Investment Management Co., Ltd.* | 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 2) | 8.4% |
| 陝西絲綢進出口公司 Shaanxi Silk Import & Export Corporation* | 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 3) | 7.0% |
| H Shares | | | | |
| Sinopac Capital Limited | Corporate | Beneficial owner | 11,448,000 | 1.8% (Note 4) |
| Commonwealth Bank of Australia | Corporate | Beneficial owner | 9,388,000 | 1.5% (Note 5) |
| Ms. Song Ying | Personal | Beneficial owner | 8,800,000 | 1.4% (Note 6) |

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Notes:

1. The Shares were held by Xi'an International Trust & Investment Co., Ltd.* ("XITIC"). By virtue of the SFO, Xi'an Finance Bureau and Shaanxi Baosheng International Investment Co., Ltd. which respectively holds more than one third of voting right of XITIC were deemed to be interested in the same 70,151,471 shares held by XITIC.
2. The Shares were held by Beijing Holdings Investment Management Co., Ltd. ("BJ Holdings"). By virtue of the SFO, Beijing Holdings (Group) Limited which holds more than one third of voting right of BJ Holdings was deemed to be interested in the same 54,077,941 shares held by BJ Holdings.
3. The Shares were held by Shaanxi Silk Import & Export Corporation ("Shaanxi Silk"). By virtue of the SFO, Shaanxi Finance Bureau which holds more than one third of voting right of Shaanxi Silk was deemed to be interested in the same 45,064,706 shares held by Shaanxi Silk.
4. The Shares were equivalent to approximately 7.1% of H Shares issued.
5. The Shares were equivalent to approximately 5.8% of H Shares issued.
6. The Shares were equivalent to approximately 5.4% of H Shares issued.

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Save as disclosed above, as at 31 March 2004, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% 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 (as defined in the GEM Listing Rules) of the Company had an interest in any business which competes or may compete with the business of the Company.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 March 2004, trade receivables due from members of China Unicom Group (in aggregate), members of China Mobile Group (in aggregate) and other trade customers (in aggregate) amounted to approximately RMB106.4 million, RMB36.0 million and RMB35.2 million respectively. Such trade receivables in an aggregate amount of approximately RMB177.6 million were owed by 38 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 two customers and no interest is charged on such balances. The balances due from China Unicom Group (in aggregate) and China Mobile Group (in aggregate) as at 31 March 2004 represented approximately 23.8% and 8.1%, exceeding 8%, of the Company's total assets as per the latest audited financial statements as at 31 December 2003. This constitutes a disclosure obligation on the part of the Company pursuant to Rule 17.15 of the GEM Listing Rules.

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 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.

Save for the above, as at 31 March 2004, so far as was known to the Directors, there is no other disclosure obligation under Rule 17.15 of the GEM Listing Rules.

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 March 2004, the spouse of a director of 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 100,000 H 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 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 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 the GEM Listing Rules. Mr. Deng Yuanming and Mr. Gong Shuxi, independent non-executive Directors, and Mr. Li Wenqi, a non-executive Director, have been appointed as members of the audit committee. Mr. Deng Yuanming, was appointed as the Chairman of the audit committee. The Company's unaudited results for the three months ended 31 March 2004 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company has complied with the GEM Listing Rules in relation to board practices and procedures for the period from 1 January 2004 to 31 March 2004.

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 2004 to 31 March 2004.

By Order of the Board
Professor Xiao Liangyong
Chairman

14 May 2004, Xi'an, the PRC

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting.