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)

FINAL RESULTS ANNOUNCEMENT
(for the year ended 31 December 2004)

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 operated by the Stock Exchange 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. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website "www.hkgem.com" in order to obtain up-to-date information on GEM-listed issuers.

*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 of the Stock Exchange (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.*

SUMMARY

Turnover

The Group recorded a total turnover of approximately RMB201.0 million and a net profit of approximately RMB15.0 million for the year ended 31 December 2004, representing approximately 11.3% and 65.1% lower than that for the year 2003 respectively. It was due to the fact that the market in general was affected by the austerity measures imposed by the government of the PRC. On micro level, the decrease was mainly due to (i) some indoor distribution system constructions had been completed but not yet certified by the customers and therefore amounts received or receivable for the constructions are not qualified for being recognized as income; and the Group had more indoor distribution system construction projects than the year 2003, both recognized as income or not, as the results of the Group's effort in exploring business of the product line; (ii) selling prices of existing product models continuing to be lowered have enlarged the decrease in sales revenue; and (iii) although new models, especially of PHS intelligent base station antennas, have been launched, they were in the process of testing and yet to be certified by the customers and have not been sold in scale. However, export sales increased significantly for the year ended 31 December 2004 and amounted to approximately RMB31.4 million, increased by approximately RMB25.6 million or 441.4% comparing with the year 2003. The increase in export sales was the result of the Group's effort of exploring overseas markets in the past three years.

Gross Profit

For the year 2004, gross profit amounted to approximately RMB92.3 million. Gross profit margin was 45.9%, decreased by approximately 4 percentage points comparing to 50.2% for the year 2003. The Group continued to adopt the strategy of capturing market share by lowering the selling price of products after they were launched for a period of time. Based on the quantity sold and the total quantity offered by mobile communication network operators for tendering, the Group's market shares in GSM/CDMA base station antenna market increased. At the same time, the Group has also been adopting costs controlling measures including subcontracting certain parts of the production process of its products. As the result, the extent of deterioration of gross profit margin was smaller than that of the selling price.

Other Operating Income

The Group recorded other operating income of approximately RMB2.6 million for the year 2004, which mainly comprised of subsidy for interest expenditure of working capital borrowing and for development of new products and interest income, comparing to the other operating income of approximately RMB3.0 million for the year 2003, which mainly comprised of subsidy for interest expenditure incurred for obtaining external finance by the Group for the construction of property, plant and equipment, for upgrading existing production capacity and to promote export sales.

Operating Costs and Expenses

Distribution costs for the year 2004 amounted to approximately RMB43.4 million, representing an increase of approximately RMB18.9 million or approximately 77.1% comparing with the year 2003. In order to increase its marketing effort in the Group's new products, especially those related to indoor distribution and network optimization, and to enhance the Group's business relation with customers including China Telecom Group and China Netcom Group, the Group employed more salespersons and used more agency services to stimulate sales and provided continuous after-sale service. Hence, there was an increase in salespersons' payroll expenses and travel expenses, agency fees and installation fees, products quality guarantee fees which led to an increase in distribution costs. Furthermore, the increase in freight charges was the result of significant increase of export business.

Administrative expenses decreased by approximately RMB1.7 million or 8.1% comparing with the year 2003, amounting to approximately RMB19.2 million for the year 2004. The decrease in administrative expenses was mainly due to a series of expense control measures which the Group considered effective.

Other operating expenses decreased by approximately RMB4.4 million, or 33.6%, to approximately RMB8.7 million comparing with the year 2003. It was mainly because product R & D costs of approximately RMB17.8 million (2003: RMB6.4 million) were capitalized during the year 2004. At the same time, allowance for doubtful debts provided for during the year increased by approximately RMB1.7 million to approximately RMB3.3 million. The total product R & D costs, including capitalized and directly charged to income statement as expense, increased because the Group continued its policy of differentiating itself from competitors by maintaining advancement in technologies.

Finance costs, mainly interest expenses, increased by approximately RMB1.5 million, or 30.0% comparing with the year 2003, amounting to approximately RMB6.5 million. The increase was mainly because of the increase in total amounts of short-term borrowings and long-term borrowings during the year 2004. The Group has repaid part of the loans advanced for financing working capital and advanced loans to finance the construction of building for the testing centre and increased interests paid and capitalized for the loans amounted to approximately RMB1.4 million (2003: nil).

The Directors do not recommend the payment of final dividend for the year ended 31 December 2004.

FINAL RESULT

The board of Directors (the "**Board**") of the Company together with its subsidiary (collectively, the "**Group**") hereby announces the audited results of the Group for the year ended 31 December 2004, together with the comparative figures for the corresponding period in the year 2003 as follows:

	Note	**2004** *RMB*	2003 *RMB*
TURNOVER	*4*	**200,999,236**	226,731,785
COST OF SALES		**(108,662,959)**	(112,824,028)
GROSS PROFIT		**92,336,277**	113,907,757
OTHER INCOME		**2,634,495**	2,987,098
DISTRIBUTION COSTS		**(43,466,635)**	(24,454,516)
ADMINISTRATIVE EXPENSES		**(19,217,014)**	(20,898,230)
OTHER OPERATING EXPENSES		**(8,730,755)**	(13,060,712)
PROFIT FROM OPERATIONS	*5*	**23,556,368**	58,481,397
FINANCE COSTS		**(6,459,762)**	(4,954,481)
PROFIT BEFORE TAXATION		**17,096,606**	53,526,916
INCOME TAX EXPENSES	*6*	**(2,079,248)**	(10,518,081)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**15,017,358**	43,008,835
DIVIDENDS	*7*	**–**	3,235,294
EARNINGS PER SHARE – BASIC	*8*	**2.3 cents**	8.2 cents

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

1. REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was established in the People's Republic of China (the "Mainland China") on 11 October 2000 as a joint stock limited company as a result of reorganisation of predecessor of the Company, Xi'an Haitian Communication Equipment Company Limited 西安海天通訊設備有限公司 (the "Predecessor").

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

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The financial statements are prepared under the historical cost. A summary of the significant accounting policies adopted by the Group is set out below.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("**new HKFRSs**") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already assessed the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to 31 December each year.

The result of subsidiary acquired or disposal of during the year is included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

b) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SEGMENT INFORMATION

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

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

	Year ended 31 December			
	2004		2003	
	Segment revenue	**Contribution to operating profit**	Segment revenue	Contribution to operating profit
	RMB	***RMB***	*RMB*	*RMB*
Mainland China	**169,598,499**	**19,939,518**	220,901,225	57,320,234
Asia excluded Mainland China	**26,079,360**	**2,981,774**	3,143,832	518,455
Others	**5,321,377**	**635,076**	2,686,728	642,708
	200,999,236		226,731,785	
Profit from operations		**23,556,368**		58,481,397

No analysis of the Group's assets and capital expenditures by geographical locations is presented as the majority of the Group's assets and capital expenditures are located in Mainland China.

4. TURNOVER AND REVENUE

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.

GROUP AND COMPANY	**2004**	2003
	RMB	*RMB*
TURNOVER		
Sales of goods	**196,596,466**	220,949,748
Service income	**4,402,770**	5,782,037
	200,999,236	226,731,785
OTHER REVENUE		
Government grants	**1,282,473**	2,544,865
Interest income	**572,684**	143,230
Others	**779,338**	299,003
	2,634,495	2,987,098
TOTAL REVENUE	**203,633,731**	229,718,883

5. DEPRECIATION AND AMORTISATION

	2004	2003
	RMB	*RMB*
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**8,860,487**	6,470,668
Less: Depreciation included in research and development costs	**(848,545)**	(969,570)
Depreciation capitalised in development costs	**(3,398,039)**	(1,519,798)
	4,613,903	3,981,300
Amortisation of development cost	**1,871,789**	196,819
Amortisation of technological know-how	**1,000,000**	1,000,000
Amortisation of land use right	**259,089**	259,089
Total depreciation and amortisation	**7,744,781**	5,437,208

6. INCOME TAX EXPENSES

	2004	2003
	RMB	*RMB*
Current tax	**1,979,248**	10,018,081
Deferred tax	**100,000**	500,000
	2,079,248	10,518,081

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

The charge for the year can be reconciled to the profit as shown in the income statement as follows:

	2004		2003	
	RMB	**%**	RMB	%
Profit before taxation	**17,096,606**		53,526,916	
Tax at domestic income tax rate of 15%	**2,564,491**	**15.0**	8,029,037	15.0
Tax effect of expenses that are not deductible in determining taxable profit	**1,135,857**	**6.6**	3,855,192	7.2
Tax effect on additional tax allowance in respect of domestic acquired machineries	**–**	**–**	(648,118)	(1.2)
Tax effect on additional tax allowance in respect of the research and development costs	**(1,720,879)**	**(10.1)**	(1,206,517)	(2.3)
Tax effect on additional tax allowance in respect of the government subsidy for export sales	**(221)**	**–**	(11,513)	–
Tax expenses and effective tax rate	**1,979,248**	**11.6**	10,018,081	18.7

The Company is regarded by the Xi'an Municipal Bureau of Science and Technology as a high technology enterprise located at the Xi'an National High-tech Industrial Development Zone and therefore subject to an income tax rate of 15%.

7. DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2004.

During the year ended 31 December 2003, the Company declared dividends of RMB3,235,294 and the amount was fully settled during the year ended 31 December 2004.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of RMB15,017,358 (2003: RMB43,008,835) and the weighted average number of 647,058,824 shares in issue during the year (2003: 522,965,351).

No diluted earnings per share has been for the years ended 31 December 2004 and 2003 presented because there were no diluted potential ordinary shares during either year.

9. MOVEMENT IN RESERVE

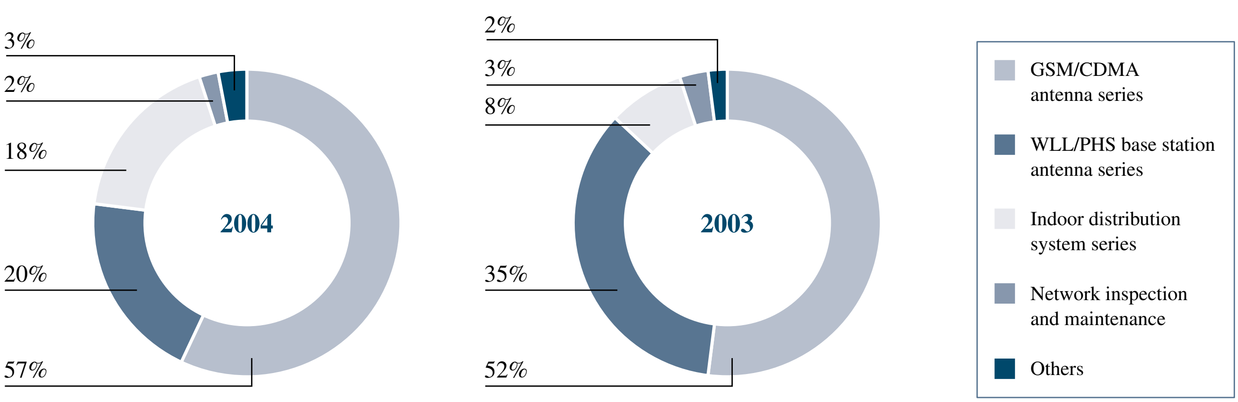
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 1 January 2003	50,000,000	–	5,831,071	3,338,519	32,809,619	91,979,209
Issue of H shares upon listing on GEM of the Stock Exchange	16,176,470	–	–	–	–	16,176,470
Conversion of certain state-owned domestic shares to H shares	(1,470,588)	–	–	–	–	(1,470,588)
Premium arising on issue of shares	–	93,924,637	–	–	–	93,924,637
Expenses incurred in connection with the issue of shares	–	(22,695,691)	–	–	–	(22,695,691)
Net profit for the year	–	–	–	–	43,008,835	43,008,835
Transfer	–	–	3,672,040	1,836,020	(5,508,060)	–
At 31 December 2003	64,705,882	71,228,946	9,503,111	5,174,539	70,310,394	220,922,872
Dividend paid	–	–	–	–	(3,235,294)	(3,235,294)
Net profit for the year	–	–	–	–	15,017,358	15,017,358
Transfer	–	–	302,234	151,117	(453,351)	–
At 31 December 2004	**64,705,882**	**71,228,946**	**9,805,345**	**5,325,656**	**81,639,107**	**232,704,936**

BUSINESS REVIEW

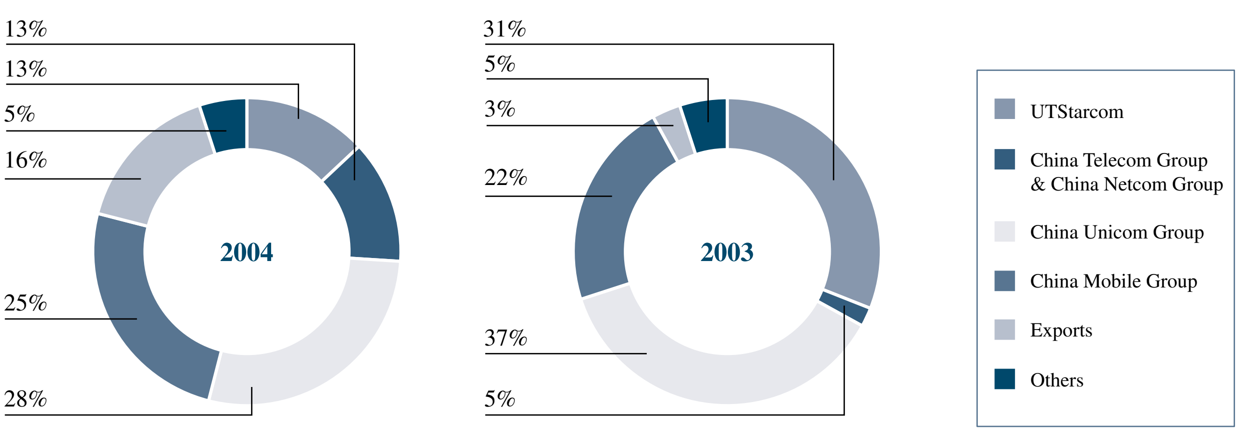
Turnover

The Group recorded a total turnover of approximately RMB201.0 million and a net profit of approximately RMB15.0 million for the year ended 31 December 2004, representing approximately 11.3% and 65.1% lower than that for the year 2003 respectively. It was due to the fact that the market in general was affected by the austerity measures imposed by the government of the People's Republic of China (the "**PRC**"). On micro level, the decrease was mainly due to (i) some indoor distribution system constructions had been completed but not yet certified by the customers and therefore amounts received or receivable for the constructions are not qualified for being recognized as income; and the Group had more indoor distribution system construction projects than the year 2003, both recognized as income or not, as the results of the Group's effort in exploring business of the product line; (ii) selling prices of existing product models continuing to be lowered have enlarged the decrease in sales revenue; and (iii) although new models, especially of PHS intelligent base station antennas, have been launched, they were in the process of testing and yet to be certified by the customers and have not been sold in scale. However, export sales increased significantly for the year ended 31 December 2004 and amounted to approximately RMB31.4 million, increased by approximately RMB25.6 million or 441.4% comparing with the year 2003. The increase in export sales was the result of the Group's effort of exploring overseas markets in the past three years.

Composite of turnover by product lines for the year ended 31 December 2004, together with the comparative figures for the year ended 31 December 2003, are provided as follows:



Composite of turnover by major customers for the year ended 31 December 2004, together with the comparative figures for the year ended 31 December 2003, are provided as follows:



Legend:

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

China Telecom Group & China Netcom Group: 中國電信集團公司 (China Telecommunications Corporation) and its subsidiaries and branch companies (collectively "**China Telecom Group**") and 中國網絡通信有限公司 (China Netcom Corporation Limited) and its subsidiaries and branch companies (collectively "**China Netcom Group**")

China Unicom Group: 中國聯合通信有限公司 (China United Telecommunications Corporation) and its subsidiaries and branch companies (collectively "**China Unicom Group**")

China Mobile Group: 中國移動通信集團公司 (China Mobile Communications Corporation) and its subsidiaries and branch companies (collectively "**China Mobile Group**")

Gross Profit

For the year 2004, gross profit amounted to approximately RMB92.3 million. Gross profit margin was 45.9%, decreased by approximately 4 percentage points comparing to 50.2% for the year 2003. The Group continued to adopt the strategy of capturing market share by lowering the selling price of products after they were launched for a period of time. Based on the quantity sold and the total quantity offered by mobile communication network operators for tendering, the Group's market shares in GSM/CDMA base station antenna market increased. At the same time, the Group has also been adopting costs controlling measures including subcontracting certain parts of the production process of its products. As the result, the extent of deterioration of gross profit margin was smaller than that of the selling price.

Other Operating Income

The Group recorded other operating income of approximately RMB2.6 million for the year 2004, which mainly comprised of subsidy for interest expenditure of working capital borrowing and for development of new products and interest income, comparing to the other operating income of approximately RMB3.0 million for the year 2003, which mainly comprised of subsidy for interest expenditure incurred for obtaining external finance by the Group for the construction of property, plant and equipment, for upgrading existing production capacity and to promote export sales.

Operating Costs and Expenses

Distribution costs for the year 2004 amounted to approximately RMB43.4 million, representing an increase of approximately RMB18.9 million or approximately 77.1% comparing with the year 2003. In order to increase its marketing effort in the Group's new products, especially those related to indoor distribution and network optimization, and to enhance the Group's business relation with customers including China Telecom Group and China Netcom Group, the Group employed more salespersons and used more agency services to stimulate sales and provided continuous after-sale service. Hence, there was an increase in salespersons' payroll expenses and travel expenses, agency fees and installation fees, products quality guarantee fees which led to an increase in distribution costs. Furthermore, the increase in freight charges was the result of significant increase of export business.

Administrative expenses decreased by approximately RMB1.7 million or 8.1% comparing with the year 2003, amounting to approximately RMB19.2 million for the year 2004. The decrease in administrative expenses was mainly due to a series of expense control measures which the Group considered effective.

Other operating expenses decreased by approximately RMB4.4 million, or 33.6%, to approximately RMB8.7 million comparing with the year 2003. It was mainly because product research and development ("**R & D**") costs of approximately RMB17.8 million (2003: RMB6.4 million) were capitalized during the year 2004. At the same time, allowance for doubtful debts provided for during the year increased by approximately RMB1.7 million to approximately RMB3.3 million. The total product R & D costs, including capitalized and directly charged to income statement as expense, increased because the Group continued its policy of differentiating itself from competitors by maintaining advancement in technologies.

Finance costs, mainly interest expenses, increased by approximately RMB1.5 million, or 30.0% comparing with the year 2003, amounting to approximately RMB6.5 million. The increase was mainly because of the increase in total amounts of short-term borrowings and long-term borrowings during the year 2004. The Group has repaid part of the loans advanced for financing working capital and advanced loans to finance the construction of building for the testing centre and increased interests paid and capitalized for the loans amounted to approximately RMB1.4 million (2003: nil).

Trade receivables

Trade receivables, before allowance for doubtful debts, as at 31 December 2004 amounted to approximately RMB182.9 million, increased by approximately RMB17.5 million or 10.6% from the balance as at 31 December 2003. As sales to China Mobile Group, China Unicom Group and China Telecom Group were mainly made during the third and fourth quarters in a year, and such effect was even more significant for the year 2004, and the three groups of customers settled trade debts by instalments of which settlement time are mutually agreed by the relevant parties. Such instalments are usually agreed to be settled in a period of time longer than the 90 days to 240 days credit terms granted to other customers, trade receivable balance at the year end is usually higher than at other month ends. Furthermore, according to the sale and purchase contracts with the abovementioned three 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 Group's antennas and/or indoor distribution devices are installed, the final testing is being passed. As sales to the three 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 three groups of customers increased. For prudence, approximately RMB3.3 million of allowance for doubtful debt has been made in addition to the allowance made in previous accounting periods for trade receivables. As at 31 December 2004, total allowance for doubtful debts amounted to approximately RMB10.6 million. Considering that the Group's major customers such as China Unicom Group, China Mobile Group, China Telecom Group and UTStarcom are well-financed listed companies or companies affiliated to listed companies and that repayment history of trade debts including those balances for which allowance for doubtful debts had been provided before were satisfactory, the Directors consider that the current level of allowance for doubtful debts is sufficient.

PROSPECTS

For the year 2004, sales to China Telecom Group and China Netcom Group increased. The Group's customer base has been becoming diversified. Although selling price and gross profit margin decreased on average and distribution costs increased, based on the actual quantity sold and the total quantity offered by mobile communication network operators for tendering, the Group maintains its leading position in the market. The Directors believe that sales to telecommunication network operators will increase. It will not only means that the Group's market share will increase, but also will help the Group's new products getting a bigger market.

For the year 2004, the Group's export sales increased significantly and cooperation with global telecommunication equipment vendors/integrators was strengthened. Settlement of trade receivable from export sales is generally quicker and selling price of export sales is relatively more stable than sales in the PRC. The Directors believe that the trend of export sales increase will continue and it helps diversifying the Group's market to the global market.

For the year 2004, although amount received or receivable for some indoor distribution system constructions completed but not yet accepted by the customers were not recognized as income, the Group's sales of indoor distribution system series resumed growth. The Directors expect that the sales of this product line will continue to increase and form a bigger portion in the Group's sales revenue.

The Group on one hand will continue to lower selling prices of existing product models to maintain and expand its market share, and on the other will continue to improve gross profit margin or at least reduce the decreasing rate of gross profit margin by measures of launching new products and increasing the proportion of sales of products with higher profit margin in the total turnover.

The Directors have identified areas of improvement in management of the Group and have been taking measures to solve the problems identified. Measures taken included (i) improving procedures of credit sales to control trade receivables; and (ii) improving budgeting system and restructuring the Group's organization to control and cut expenses, especially the distribution costs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2004, the Group's short-term borrowings increased from approximately RMB54.7 million as at 31 December 2003 to approximately RMB90.0 million and long term borrowings increased from approximately RMB50.0 million as at 31 December 2003 to RMB70.0 million. These borrowings were mainly used for the Group's daily operation and acquisition of fixed assets.

As at 31 December 2004, all of the Group's borrowings bear interest of fixed rates ranging from 5.04% to 5.49%. Since all the borrowings were denominated in RMB, the Directors consider that the exposure to foreign exchange risk was minimal.

The Group's borrowings are repayable as follows:

	RMB million
Within 1 year	90.0
More than 1 year, but not exceeding 2 years	50.0
More than 2 years, but not exceeding 5 years	20.0
More than 5 years	–
	160.0

As at 31 December 2004, the Group's gearing ratio increased to 68.8% (2003: 47.4%), which is calculated based on total bank borrowings of approximately RMB160.0 million and total shareholders' funds of approximately RMB232.7 million. Cash and cash equivalents decreased from approximately RMB113.6 million to RMB107.6 million. Most of the Group's bank deposits were deposited with banks as short-term deposits and were denominated in either Hong Kong dollars or RMB, which are directly related to the Group's businesses in the areas of the currencies concerned.

CHARGES ON COMPANY ASSETS

As at 31 December 2004, the Group pledged bank deposits of approximately RMB8.0 million, buildings of net book value of approximately RMB23.5 million, land use right of net book value of approximately RMB11.9 million and trade receivables of approximately RMB49.8 million for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2004, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Since most of the transactions of the Group are denominated in RMB, the Group 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 Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2004, the Group had approximately 575 full-time employees. Total staff costs for the year 2004 amounted to approximately RMB26.4 million (2003: RMB29.1 million), including remuneration of the Directors, members of the supervisory committee (the "**Supervisors**"). The Group reviews employee remuneration from time to time and increases in remuneration are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and retirement benefits scheme. Bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group has not granted any share options to the Directors and its full-time employees.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

During the year ended 31 December 2004, the Group incorporated a wholly owned subsidiary in Hong Kong of which business has not been commenced. The subsidiary will be engaged in trading of the Group's products and/or other base station antenna and related products. The incorporation of the Hong Kong subsidiary is to enforce one of the business objectives as set out in the prospectus of the Company dated 24 October 2003 (the "**Prospectus**"). Save as disclosed herein, during the year ended 31 December 2004 and as at the balance sheet date, the Group did not hold other investment in equity interest in any company.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 December 2004, the Group had capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment amounted to approximately RMB4.4 million (2003: RMB6.3 million).

The Group plans to incorporate a subsidiary which will provide the service for wireless coverage solution, for example indoor distribution system and network optimization.

Save as disclosed herein and the business objectives set out in the Prospectus, the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the incorporation of the wholly-owned subsidiary in Hong Kong, during the year ended 31 December 2004, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 December 2004, trade receivables due from China Unicom Group. China Mobile Group, China Telecom Group and other trade customers (in aggregate) amounted to approximately RMB92.7 million, RMB35.9 million, RMB15.0 million and RMB39.3 million respectively. Such trade receivables in an aggregate amount of approximately RMB182.9 million were owed by 50 trade customers who are independent third parties not connected with the Directors, chief executives or substantial shareholders of the Company.

All of the above trade receivables are unsecured and repayable in accordance with terms specified in the contracts governing the relevant transactions. No collateral is required to be made by the three customers and no interest is charged on such balances. The balances due from China Unicom Group, China Mobile Group and China Telecom Group as at 31 December 2004 represented approximately 19.4%, 7.5%, 3.1% respectively, exceeding 8% of the Group's total assets as at 31 December 2004 or representing approximately 50.3%, 19.5% and 8.1% respectively, exceeding 8% of the Group's market capitalization as at 31 December 2004. Both cases constitute disclosure obligations on the part of the Group pursuant to Rule 17.15 of GEM Listing Rules.

According to the Directors, the Group has not encountered any negative impact to its operations or business despite the Group's significant financial exposure to China Unicom Group, China Mobile Group and China Telecom Group. In addition, the Directors believe that with the strong backing of these customers, the Group is able to further expand its business as one of the leading providers of the base station antennas and related products in the PRC.

Save for the above, as at 31 December 2004, so far as is known to the Directors, there is no other advance which would give rise to disclosure obligations under Rules 17.15 and 17.17 of GEM Listing Rules.

TOP FIVE SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2004, sales to the top five customers and the largest customer accounted for approximately 84.0% (2003: 94.7%) and 27.9% (2003: 37.3%) respectively of the Group's total turnover.

For the year ended 31 December 2004, purchases from the top five suppliers and the largest supplier accounted for approximately 58.9% (2003: 59.1%) and 21.0% (2003: 23.0%) respectively of the Group's total purchases.

Each of the top five customers and the top five suppliers is independent from and not connected with any of the Directors, chief executives or any shareholders which, to the best knowledge of the Directors, own more than 5% of the shares of the Company, or any of their associates.

ORDERS RECEIVED AND PROSPECTS FOR NEW BUSINESS

The Group's customers give short delivery period to the Group when orders are placed. Therefore, there was no material order received as at 31 December 2004.

The Group will continue to engage in research and development, manufacturing and sale of base station antennas and related telecommunication equipment products. The Group 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.

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

As at 31 December 2004, the interests and short positions of the Directors, Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance ("**SFO**") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) or chief executives of the Company, including their respective associates, in the shares (the "**Shares**"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or when required, 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 GEM Listing Rules, to be notified to the Company and the Stock Exchange were 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 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, the Supervisors and chief executives of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares or 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 under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules as at 31 December 2004.

ARRANGEMENTS TO PURCHASE SHARES

At no time during the year was the Company a party to any arrangement to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

COMPETING INTEREST

None of the Directors, Supervisors or the management shareholders of the Company (as defined in GEM Listing Rules) or their respective associates had an interest in any business which competes or may compete, directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

CORPORATE GOVERNANCE

The Group has complied in the period between 1 January 2004 and 31 December 2004 with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendments to the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 31 December 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not purchase, sell or redeem any of its listed securities during the year. Neither the Company or any of its subsidiaries has purchased, or sold or redeemed any of the Company's Shares during the year.

MATERIAL LITIGATION

The Group was not involved in any material litigation during the year.

EMPLOYEE RETIREMENT BENEFITS

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

As of 31 December 2003 and 2004, the Group had no significant obligation in relation to the employee retirement benefits apart from the contribution as stated above.

BANK LOANS

THE GROUP AND THE COMPANY

	2004	2003
	RMB	*RMB*
Bank loans		
Secured	**70,000,000**	100,000,000
Unsecured	**90,000,000**	4,673,880
Total	**160,000,000**	104,673,880

The bank borrowings are repayable as follows:

Within one year	**90,000,000**	54,673,880
More than one year, but not exceeding two years	**50,000,000**	–
More than two years, but not exceeding five years	**20,000,000**	50,000,000
	160,000,000	104,673,880
Less: Amount repayable within one year shown under current liabilities	**(90,000,000)**	(54,673,880)
	70,000,000	50,000,000

As at 31 December 2004, the above bank loans bore interest at rates ranging from 5.04% to 5.49% per annum.

AUDIT COMMITTEE

An audit committee was established since 4 April 2003 with terms of reference in compliance with GEM Listing Rules. As at 31 December 2004, the audit committee of the Company comprised Mr. WANG Pengcheng and Professor GONG Shuxi, independent non-executive Directors, and Mr. LI Wenqi, a non-executive Director. The Company's annual operating results for the year ended 31 December 2004 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company and there was no restriction against such rights under the laws of the PRC.

INTERESTS OF THE COMPLIANCE ADVISER

As notified and updated by Core Pacific-Yamaichi Capital Limited ("**CPY Capital**"), the Company's compliance adviser, pursuant to Rules 6.36 and 18.63 of GEM Listing Rules, as at 31 December 2004, 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 compliance adviser for the period up to 31 December 2005 or until the Agreement is terminated upon the terms and conditions set out therein.

By order of the Board
Xi'an Haitian Antenna Technologies Co., Ltd.*
Mr. XIAO Bing
Chairman

Xi'an, the PRC, 29 March 2005

As at the date of this announcement, the Board comprises 肖兵先生 (Mr. Xiao Bing), 肖良勇教授 (Professor Xiao Liangyong) and 郭渭盛教授 (Professor Guo Weisheng) being executive Directors; 王科先生 (Mr. Wang Ke), 王全福先生 (Mr. Wang Quanfu), 劉永強先生 (Mr. Liu Yongqiang), 王京女士 (Ms. Wang Jing) and 李文琦先生 (Mr. Li Wenqi) being non-executive Directors; and 周天游先生 (Mr. Zhou Tianyou), 龔書喜先生 (Mr. Gong Shuxi) and 王鵬程先生 (Mr. Wang Pengcheng) being independent non-executive Directors. Professor Xiao Liangyong and Professor Guo Weisheng resigned on 29 March 2005.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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.

* *For identification purposes only*