



西安海天天线科技股份有限公司
XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.*

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

(Stock Code: 8227)

**THIRD QUARTERLY RESULT ANNOUNCEMENT FOR
THE NINE MONTHS ENDED 30 SEPTEMBER 2005**

**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 these 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the board (the “Board”) of the directors (the “Directors”) of Xi'an Haitian Antenna Technologies Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the requirements of the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) 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 the bases and assumptions that are fair and reasonable.*

* for identification purpose only

HIGHLIGHTS

- During the three months ended 30 September 2005, the Group recorded an unaudited net profit of approximately RMB10.1 million, representing an increase in the net profit by approximately RMB10.0 million as compared to the corresponding period in the year 2004. During the nine months ended 30 September 2005, the Group recorded an unaudited net profit of approximately RMB0.6 million, representing a decrease of approximately 88.6% as compared to the corresponding period in the year 2004.
- The Board does not recommend the payment of a dividend for the three months ended 30 September 2005 (2004: nil).

CONSOLIDATED RESULT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

The Board of Directors of the Company hereby announces the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2005, together with the unaudited comparative figures for the corresponding period in the year 2004 as follows:

Unaudited Consolidated Income Statement

	Notes	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	3	50,475	46,277	114,682	138,677
Cost of sales		(27,628)	(26,094)	(62,611)	(76,135)
Gross profit		22,847	20,183	52,071	62,542
Other operating income		94	159	361	693
Distribution costs		(4,318)	(10,735)	(23,021)	(31,726)
Administrative expenses		(5,192)	(4,587)	(14,627)	(13,794)
Other operating expenses		(1,638)	(2,906)	(8,069)	(7,195)
Profit from operations		11,793	2,114	6,715	10,520
Finance costs		(1,808)	(2,089)	(6,137)	(3,744)
Profit before taxation		9,985	25	578	6,776
Income tax expenses	4	-	(2)	-	(1,357)
Profit before minority interests		9,985	23	578	5,419
Minority interests		71	-	41	-
Net profit for the period		10,056	23	619	5,419
Dividend	5	-	-	9,706	-
Basic earnings per share (in RMB)	6	1.6 cents	0.0 cents	0.1 cents	0.8 cents

Notes to the Unaudited Consolidated Financial Results

For the nine months ended 30 September 2005

1. BASIS OF PREPARATION

These unaudited consolidated financial results have been prepared in accordance with the accounting principles generally accepted in Hong Kong and the accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Group’s books and records are maintained in Renminbi (“RMB”), the currency in which the majority of the Group’s transactions is denominated.

2. ACCOUNTING POLICIES

The accounting policies used in the unaudited consolidated financial results are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by HKICPA that are effective for accounting periods commencing on or after 1 January 2005.

The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented, and accordingly, no prior period adjustment has been required.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers exclusive of value added taxes, less returns and allowances, and income received and receivable from provision of services.

Turnover breakdown by nature of revenue:

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2005	2004	2005	2004
	RMB’000	RMB’000	RMB’000	RMB’000
Sales of goods	47,017	46,277	108,404	136,103
Service income	3,458	–	6,278	2,574
	50,475	46,277	114,682	138,677

Turnover breakdown by geographical locations:

	(Unaudited)		(Unaudited)	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
The People's Republic of China (the "PRC")	41,623	39,336	98,880	120,821
Overseas	8,852	6,941	15,802	17,856
	50,475	46,277	114,682	138,677

4. INCOME TAX EXPENSES

The amounts represented provision for PRC Corporate Income Tax on the Group's estimated assessable profit for the three months and nine months ended 30 September 2004.

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, the PRC and therefore subject to the corporate income tax rate of 15%.

5. DIVIDEND

At a meeting held on 9 August 2005, the Board declared an interim dividend of RMB0.015 per share of the Company for the year ending 31 December 2005 (2004: nil) to the shareholders of the Company.

The Board does not recommend the payment of a dividend for the three months ended 30 September 2005 (2004: nil).

6. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the unaudited net profit for the three months and the nine months ended 30 September 2005 of approximately RMB10,056,000 and RMB619,000 respectively (unaudited net profit for the three months and nine months ended 30 September 2004: approximately RMB23,000 and RMB5,419,000 respectively) divided by the number of 647,058,824 shares in issue (2004: 647,058,824 shares).

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

7. RESERVES

	Share premium <i>RMB'000</i> (Unaudited)	Statutory surplus reserve <i>RMB'000</i> (Unaudited)	Statutory public welfare fund <i>RMB'000</i> (Unaudited)	Accumulated profits <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 1 January 2004	71,229	9,503	5,174	70,311	156,217
Final dividend for the year 2003 declared	–	–	–	(3,235)	(3,235)
Net profit for the period	–	–	–	5,419	5,419
At 30 September 2004	71,229	9,503	5,174	72,495	158,401
At 1 January 2005	71,229	9,805	5,326	81,639	167,999
Interim dividend	–	–	–	(9,706)	(9,706)
Net profit for the period	–	–	–	619	619
At 30 September 2005	71,229	9,805	5,326	72,552	158,912

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

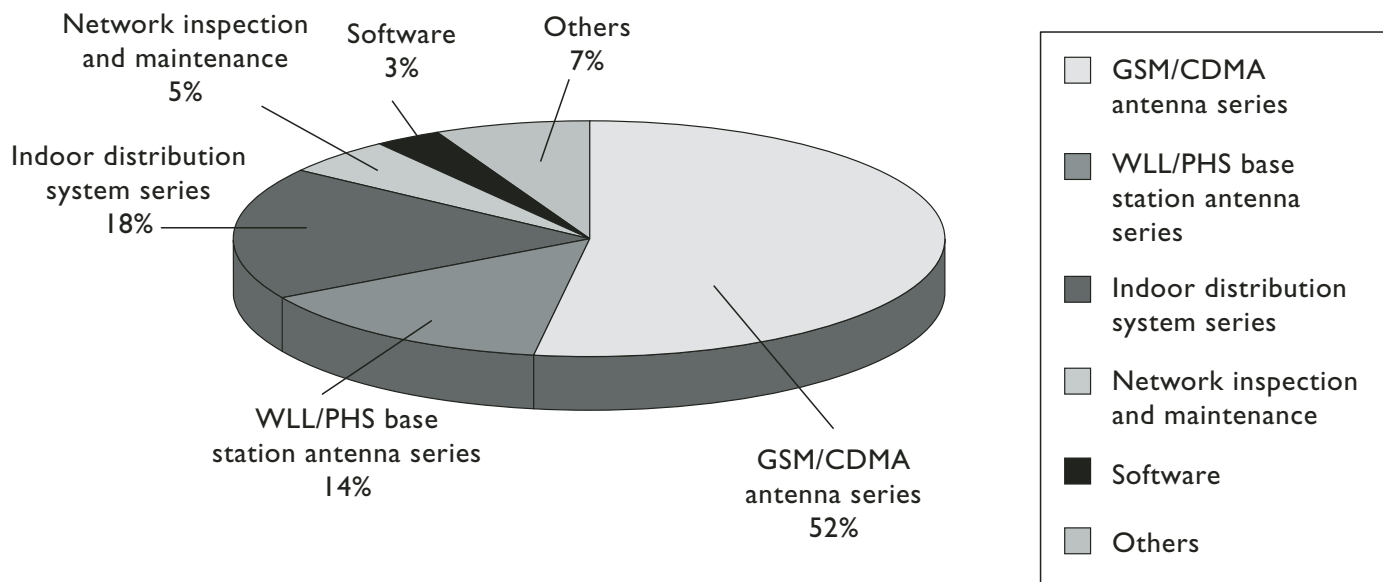
The Group recorded an unaudited turnover of approximately RMB50.5 million and RMB114.7 million for the three months and nine months ended 30 September 2005 respectively, representing an increase of approximately 9.1% and a decrease of approximately 17.3% compared with the unaudited turnover for the corresponding period in the year 2004 respectively.

The decrease in turnover was mainly due to the uncertainty in the government policy on telecommunication industry, especially on the launching of 3G mobile communication services and the expected restructuring among telecommunication operators. The adoption of the wait-and-see attitude by the telecommunication operators made the progress of network construction and optimisation slow down. Percentage of total sales of WLL/PHS base station antenna series products and GSM/CDMA antenna series products decreased from approximately 24% and 65% respectively for the corresponding period in the year 2004 to approximately 14% and 52% respectively for the nine months ended 30 September 2005.

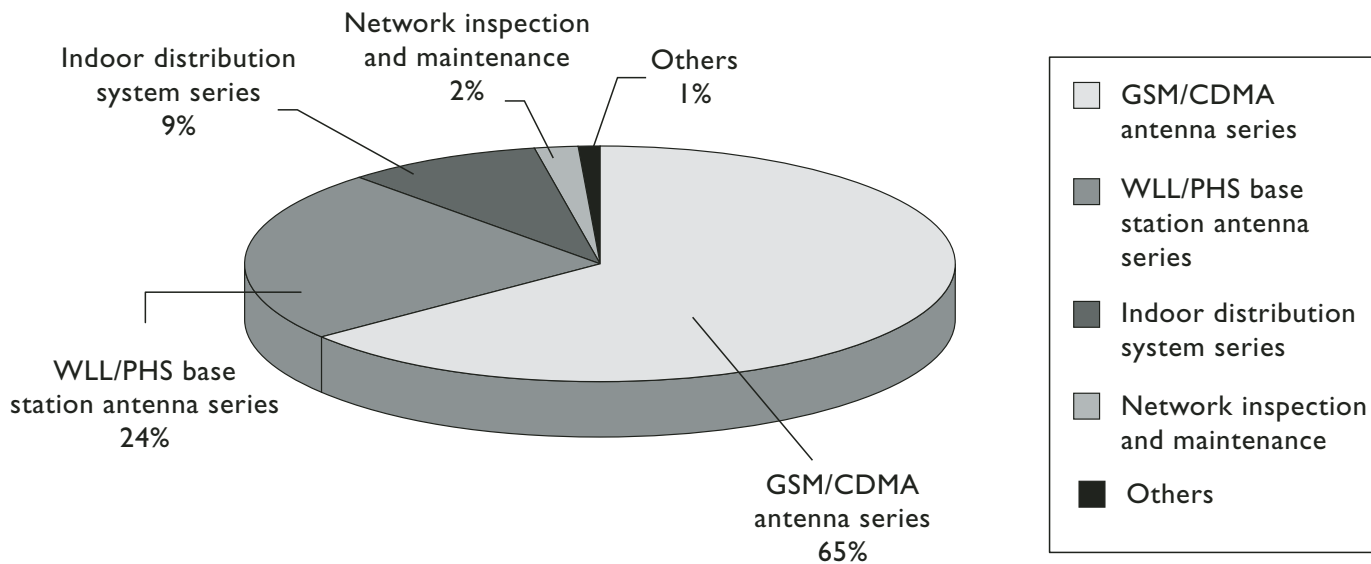
In response to the situation, the Group devoted more resources in developing the market of indoor distribution systems which resulted in a material increase in the percentage of total sales of indoor distribution system series from approximately 9% for the corresponding period in the year 2004 to 18% for the nine months ended 30 September 2005. In addition, the newly launched software agency sales of the Group represented 3% of the total sales.

Composite of sales by product lines for the nine months ended 30 September 2005, together with the comparative figures for the corresponding period in the year 2004, are provided as follows:

For the nine months ended 30 September 2005 (by product lines)

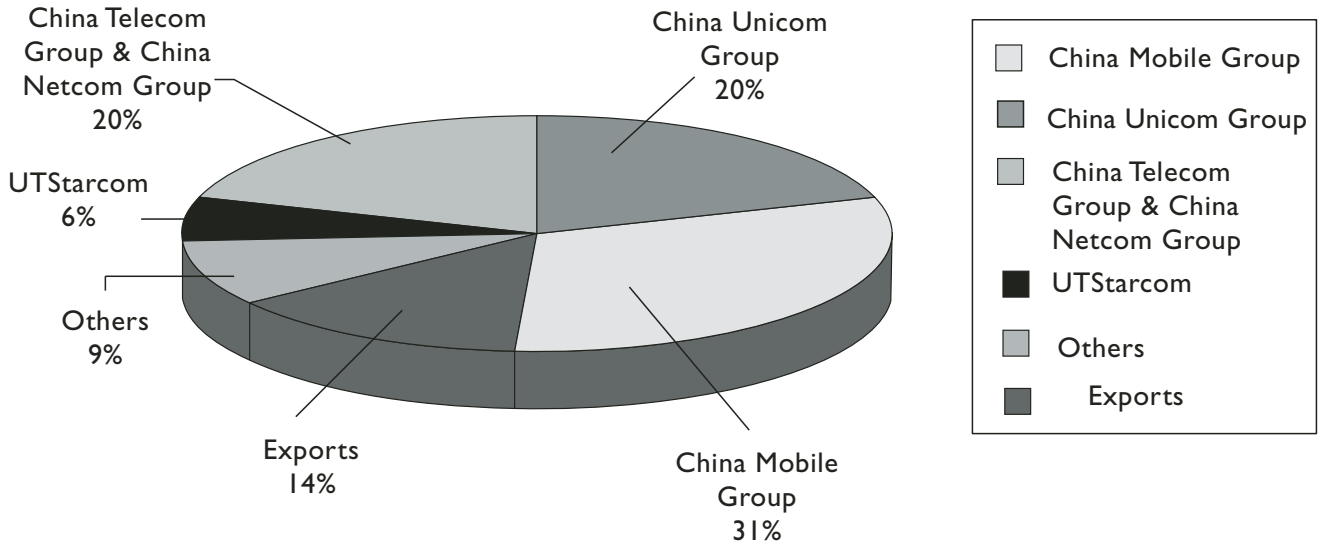


For the nine months ended 30 September 2004 (by product lines)

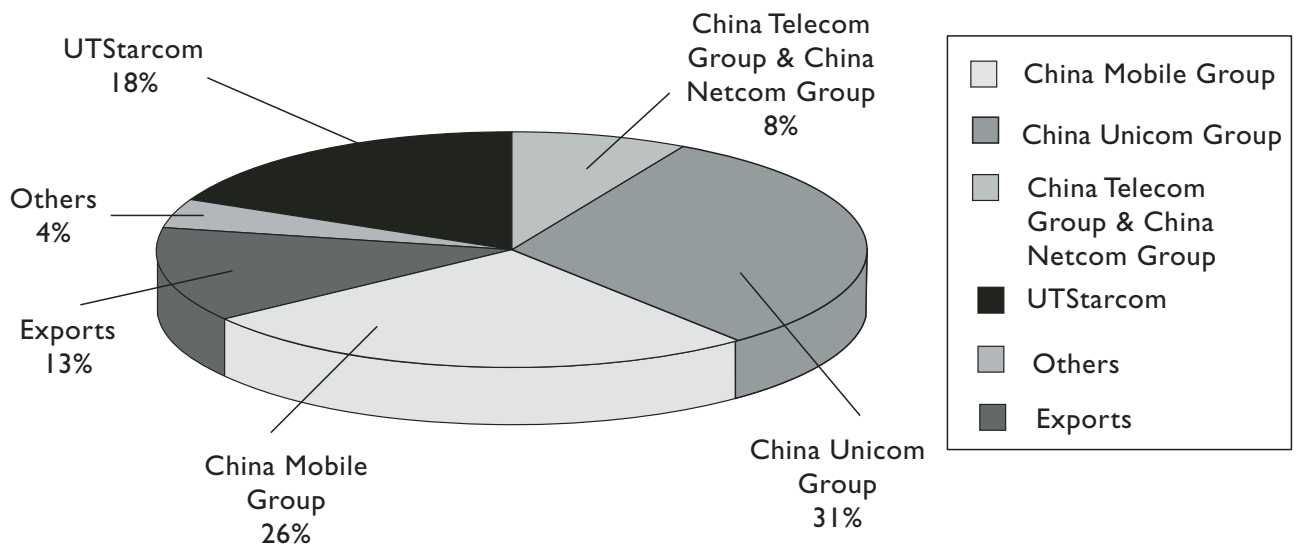


Composite of turnover by major customers for the nine months ended 30 September 2005, together with the comparative figures for the corresponding period in the year 2004, is provided as follows:

For the nine months ended 30 September 2005 (by major customers)



For the nine months ended 30 September 2004 (by major customers)



Legend:

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

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

During the nine months ended 30 September 2005, unaudited gross profit amounted to approximately RMB52.1 million, gross profit margin was approximately 45.4%, represented a slight increase when compared to the gross profit margin of 45.1% for the corresponding period in the year 2004. It was mainly because the Group had shifted its focus to promote products with higher profit margin.

Operating Costs and Expenses

During the period under review, the Group has put more emphasis on cost control which resulted in a decrease in distribution expenses by approximately RMB8.7 million or approximately 27.4% when compared to corresponding period in 2004. Administration expenses and other operating expenses increased from approximately RMB13.8 million and RMB7.2 million for the period ended 30 September 2004 respectively to approximately RMB14.6 million and RMB8.1 million for the corresponding period in 2005 respectively. The increase was mainly resulted from the increase in depreciation for the newly established research building and power station during the period and the Group’s increased effort on research and development activities during the period. Finance costs increased by approximately RMB2.4 million or approximately 64.9% which was mainly due to two reasons: first, the paid interest for the bank loan (the bank loan was used for the construction of building for testing centre) amounted to approximately RMB1.4 million (2005: nil) during the corresponding period in the year 2004 were capitalised in the costs of the building for testing centre; second, the average monthly bank loan balance during this period was higher than that for the corresponding period in the year 2004, thus interest expenses increased relatively.

Consequently, during the three months ended 30 September 2005, the Group recorded an unaudited net profit of approximately RMB10.1 million, representing an increase in the net profit by approximately RMB10.0 million as compared to the corresponding period in the year 2004. During the nine months ended 30 September 2005, the Group recorded an unaudited net profit of approximately RMB0.6 million, representing a decrease of approximately 88.6% as compared to the corresponding period in the year 2004.

PROSPECTS

For the nine months ended 30 September 2005, sales to overseas markets and other customers continue to increase and the Directors expect the Group will continue to explore new business opportunities, including the domestic short-wave communication antenna market.

For the nine months ended 30 September 2005, sales of indoor distribution system series had increased significantly. The Group expects the sales of this product line will continue to increase before the launching of 3G mobile communication services and form a bigger portion in the Group's sales revenue.

The Group maintains an optimistic view on business performance for the rest of the year. The Group will strengthen its competitiveness and continue its focus on developing products with new features and also on continuous product improvement. Looking forward, improved operating results are anticipated in view of expanding market base and exercising more stringent cost control.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 30 September 2005, the interests and short positions of the Directors, the supervisors (the "Supervisors") of the Company (as if the requirements applicable to the Directors under the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong) had applied to the Supervisors) or the chief executives of the Company, including their respective associates, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Director	Type of interest	Capacity	Number of the issued Shares	Approximate percentage in the total issued share capital of the Company
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation (Note 1)	180,000,000 domestic Shares	27.8%

Note 1: The domestic Shares were held by 西安天安投资有限公司 (Xi'an Tian An Investment Company Limited*) ("Tian An Investment"), which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by Ms. Yao Wenli. By virtue of the SFO, Mr. Xiao Bing was deemed to be interested in the same 180,000,000 domestic Shares held by Tian An Investment.

Other than as disclosed above, none of the Directors, the Supervisors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2005 as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 September 2005, so far as is known to the Directors, the Supervisors and the chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their associates including spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

(A) Substantial shareholders of the Company

As at 30 September 2005, the following persons or entities had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of substantial shareholder	Type of interest	Capacity	Number of the issued Shares (Note 1)	Approximate percentage in the total issued share capital of the Company
Domestic Shares				
Tian An Investment	Corporate	Beneficial owner	180,000,000 ^(L) (Note 2)	27.8%
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation	180,000,000 ^(L) (Note 2)	27.8%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 ^(L) (Note 2)	27.8%

Name of substantial shareholder	Type of interest	Capacity	Number of the issued Shares (Note 1)	Approximate percentage in the total issued share capital of the Company
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert	180,000,000 (Note 3)	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 ^(L)	15.5%
西安國際信託投資有限公司 (Xi'an International Trust & Investment Co., Ltd.*) ("XITIC")	Corporate	Beneficial owner	70,151,471 ^(L)	10.8%
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled corporation	70,151,471 ^(L) (Note 4)	10.8%
陝西保升國際投資有限責任公司 (Shaanxi Baosheng International Investment Company Limited*)	Corporate	Held by controlled corporation	70,151,471 ^(L) (Note 4)	10.8%

* for identification purpose only

Notes:

1. The Letter "L" represents the entity's/person's long positions in the Shares.
2. The domestic Shares were held by Tian An Investment, which is beneficially owned as to 60% by Mr. Xiao Bing and 40% by Ms. Yao Wenli. By virtue of the SFO, Mr. Xiao Bing and Ms. Yao Wenli were deemed to be interested in the same 180,000,000 domestic Shares held by Tian An Investment.
3. Professor Xiao Liangyong is the father of Mr. Xiao Bing and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, he was deemed to be interested in the same 180,000,000 domestic Shares held by Mr. Xiao Bing.
4. The domestic Shares were held by XITIC. By virtue of the SFO, Xi'an Finance Bureau and Shaanxi Baosheng International Investment Company Limited, which respectively holds more than one third of voting rights of XITIC, were deemed to be interested in the same 70,151,471 domestic Shares held by XITIC.

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

As at 30 September 2005, save as the persons or entities disclosed in sub-section (A) above, the following persons or entities (other than the Directors, the Supervisors and the chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Type of interest	Capacity	Number of the issued Shares (Note 1)	Approximate percentage in the total issued share capital of the Company
Domestic Shares				
北京京泰投資管理中心 (Beijing Holdings Investment Management Co., Ltd.*, “ Beijing Holdings ”)	Corporate	Beneficial owner	54,077,941 ^(L)	8.4%
京泰實業(集團)有限公司 (Beijing Holdings (Group) Limited*)	Corporate	Held by controlled corporation	54,077,941 ^(L) (Note2)	8.4%
陝西省絲綢進出口公司 (Shaanxi Silk Import & Export Corporation*, “ Shaanxi Silk ”)	Corporate	Beneficial owner	45,064,706 ^(L)	7.0%
陝西省財政廳 (Shaanxi Finance Bureau*)	Corporate	Held by controlled corporation	45,064,706 ^(L) (Note 3)	7.0%

Name of Shareholder	Type of interest	Capacity	Number of the issued Shares (Note 1)	Approximate percentage in the total issued share capital of the Company
H Shares				
Atlantis Investment Management Limited	Corporate	Investment manager	14,736,000 ^(L) (Note 4)	2.3% (Note 5)
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 ^(L) (Note 4)	2.0% (Note 6)
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 ^(L) (Note 4)	1.6% (Note 7)
Ms. Song Ying	Personal	Beneficial Owner	8,800,000 ^(L)	1.4% (Note 8)

* for identification purpose only

Notes:

1. The Letter “L” represents the entity’s/person’s long positions in the Shares.
2. The domestic Shares were held by Beijing Holdings. By virtue of the SFO, Beijing Holdings (Group) Limited, which holds more than one third of voting rights of Beijing Holdings, was deemed to be interested in the same 54,077,941 domestic Shares held by Beijing Holdings.
3. The domestic Shares were held by Shaanxi Silk. By virtue of the SFO, Shaanxi Finance Bureau, which holds more than one third of voting rights of Shaanxi Silk, was deemed to be interested in the same 45,064,706 domestic Shares held by Shaanxi Silk.
4. The details of these shareholders of the Company were based on information as set out in the website of the Stock Exchange. The Company has not been notified by the relevant shareholders and has not received any Corporate Substantial Shareholder Notice from the relevant shareholders.
5. The H Shares held by Atlantis Investment Management Limited were equivalent to approximately 9.1% of H Shares total in issued.

6. The H Shares held by Taicom Capital Ltd. were equivalent to approximately 8.0% of H Shares total in issued.
7. The H Shares held by Carlson Fund Equity Asian Small Cap were equivalent to approximately 6.5% of H Shares total in issued.
8. The H Shares held by Ms. Song Ying were equivalent to approximately 5.4% of H Shares total in issued.

Save as disclosed above, as at 30 September 2005, the Directors, the Supervisors and the chief executives of the Company were not aware of any person (other than the Directors, the Supervisors and the chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

None of the Directors, the Supervisors or the management shareholders of the Company (as defined in the 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.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 30 September 2005, trade receivables due from China Unicom Group, China Mobile Group, China Telecom Group and China Netcom Group, and other trade customers (in aggregate) amounted to approximately RMB85.6 million, RMB52.6 million, RMB32.7 million and RMB23.8 million respectively. Such trade receivables in an aggregate amount of approximately RMB194.7 million were owed by 50 trade customers who are independent third parties not connected with the Directors, the Supervisors and the chief executives of the Company or the 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 major customers and no interest is charged on such balances. The balances due from China Unicom Group and China Mobile Group as at 30 September 2005 represented approximately 18.0% and 11.0% respectively, exceeding 8%, of the Group's total assets as per the latest published audited financial statements as at 31 December 2004 and the balances due from China Unicom Group, China Mobile Group, and China Telecom Group and China Netcom Group as at 30 September 2005 represented approximately 67.5%, 41.5% and 25.8% respectively, exceeding 8%, of the Group's market capitalisation as at 30 September 2005. Both cases constitute disclosure obligations of the Company pursuant to Rule 17.15 of the 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 and China Netcom 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 as disclosed above, as at 30 September 2005, so far as is known to the Directors, there is no other advance which would give rise to disclosure obligations of the Company under Rules 17.15 and 17.17 of the GEM Listing Rules.

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 18.75 of GEM Listing Rules, as at 30 September 2005, neither CPY Capital nor its directors, 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.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established on 4 April 2003 with terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 September 2005, the Audit Committee comprised of Mr. Wang Pengcheng and Professor Gong Shuxi, independent non-executive Directors, and Mr. Li Wenqi, a non-executive Director. The Group's unaudited consolidated results for the nine months ended 30 September 2005 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2005, the Company had adopted a code of conduct (the “Code”) regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and the Code regarding securities transactions by the Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2005.

By order of the Board
Xiao Bing
Chairman

Xi’an, the PRC, 11 November 2005

As at the date of this announcement, the Board comprises 肖兵先生 (Mr. Xiao Bing) and 梁志軍先生 (Mr. Liang Zhijun) being executive Directors; 王科先生 (Mr. Wang Ke), 劉永強先生 (Mr. Liu Yongqiang), 王全福先生 (Mr. Wang Quanfu), 王京女士 (Ms. Wang Jing) and 李文琦先生 (Mr. Li Wenqi) being non-executive Directors; and 龔書喜先生 (Mr. Gong Shuxi) and 王鵬程先生 (Mr. Wang Pengcheng) being independent non-executive Directors.

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.