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 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 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.*

* *For identification purposes only*

AUDITED RESULTS

The board of Directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2005, together with the comparative figures for the year ended 31 December 2004 as follows:

	Note	**2005**	2004
		RMB	*RMB*
TURNOVER	*3*	**176,889,046**	200,999,236
COST OF SALES		**(97,416,207)**	(108,662,959)
GROSS PROFIT		**79,472,839**	92,336,277
OTHER REVENUE	*3*	**2,484,566**	2,634,495
DISTRIBUTION COSTS		**(31,909,604)**	(43,466,635)
ADMINISTRATIVE EXPENSES		**(21,567,603)**	(19,217,014)
OTHER OPERATING EXPENSES		**(4,636,370)**	(8,730,755)
PROFIT FROM OPERATIONS		**23,843,828**	23,556,368
FINANCE COSTS	*5 a*	**(7,839,762)**	(6,459,762)
PROFIT BEFORE TAXATION	*5*	**16,004,066**	17,096,606
INCOME TAX EXPENSES	*6*	**(611,391)**	(2,079,248)
PROFIT FOR THE YEAR		**15,392,675**	15,017,358
ATTRIBUTABLE TO			
Equity shareholders of the Company		**15,463,137**	15,017,358
Minority interests		**(70,462)**	–
PROFIT FOR THE YEAR		**15,392,675**	15,017,358
DIVIDENDS	*7*	**9,705,882**	–
EARNINGS PER SHARE – BASIC	*8*	**2.4 cents**	2.3 cents

Consolidated Balance Sheet

As at 31 December 2005

	Note	**2005** *RMB*	2004 *RMB*
NON-CURRENT ASSETS			
Interests in leasehold land held for own use under operating leases		**11,615,250**	11,874,270
Intangible assets		**35,266,359**	27,847,149
Property, plant and equipment		**97,979,542**	103,481,851
Other financial assets		**280,000**	280,000
Pledged bank deposits		**796,219**	623,579
		145,937,370	144,106,849
CURRENT ASSETS			
Inventories		**35,696,685**	25,554,557
Trade receivables	*9*	**175,872,533**	172,292,300
Bills receivable		**1,120,378**	7,373,378
Other receivables and prepayments		**12,128,923**	11,766,429
Amounts due from directors		**1,862,240**	706,912
Amounts due from related parties		**3,235,720**	295,000
Pledged bank deposits		**2,189,007**	7,379,589
Bank balances and cash		**91,248,697**	107,614,032
		323,354,183	332,982,197
CURRENT LIABILITIES			
Trade payables		**69,929,958**	28,469,290
Bills payable		**10,631,626**	35,400,777
Other payables and accrued charges		**17,531,017**	11,060,755
Dividend payables		**3,003,140**	–
Taxation		**7,438,623**	8,853,288
Bank loans – due within one year	*10*	**51,565,460**	90,000,000
		160,099,824	173,784,110
NET CURRENT ASSETS		**163,254,359**	159,198,087
TOTAL ASSETS LESS CURRENT LIABILITIES		**309,191,729**	303,304,936
NON-CURRENT LIABILITIES			
Bank loans - due after one year	*10*	**70,000,000**	70,000,000
Deferred taxation	*11*	**600,000**	600,000
		70,600,000	70,600,000
NET ASSETS		**238,591,729**	232,704,936
CAPITAL AND RESERVES			
Share capital		**64,705,882**	64,705,882
Reserves		**173,756,309**	167,999,054
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**238,462,191**	232,704,936
MINORITY INTERESTS		**129,538**	–
TOTAL EQUITY		**238,591,729**	232,704,936

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total	Minority interests	Total equity
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2003	64,705,882	71,228,946	9,503,111	5,174,539	70,310,394	220,922,872	–	220,922,872
Dividends	–	–	–	–	(3,235,294)	(3,235,294)	–	(3,235,294)
Net profit for the year	–	–	–	–	15,017,358	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	–	232,704,936
Dividends	–	–	–	–	(9,705,882)	(9,705,882)	–	(9,705,882)
Minority interests	–	–	–	–	–	–	200,000	200,000
Net profit for the year	–	–	–	–	15,463,137	15,463,137	(70,462)	15,392,675
Transfer	–	–	407,595	203,797	(611,392)	–	–	–
At 31 December 2005	64,705,882	71,228,946	10,212,940	5,529,453	86,784,970	238,462,191	129,538	238,591,729

Notes:

1. ORGANISATION AND OPERATIONS

The Company was established in the PRC 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 the 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 ("CSRC") on 22 April 2003, the Company's overseas listed foreign shares ("H shares") were listed on the GEM of the Stock Exchange on 5 November 2003.

On 20 January 2005, following the consent from Ministry of Commerce of the PRC, the Company changed to a foreign investment joint stock limited company.

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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRSs. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The following new and revised HKFRSs are relevant to the Group's financial statements and are adopted for the preparation of the current year's financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation - Special Purpose Entities
HKAS-Int 15	Operating Leases - Incentives
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets

The adoption of the above new HKFRSs has the following impacts on the Group's accounting policies:

– HKAS 1 has affected the presentation and disclosure of the financial statements;

– HKASs 8, 27 and 33 have affected the disclosure of the financial statements;

– HKASs 2, 7, 10, 12, 14, 16, 17, 18, 19, 20, 21, 23, 32, 37, 39, HKAS-Int 12, HKAS-Int 15 and HKAS-Int 21 have no material effect on the Group's accounting policies; and

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The Group has reassessed the needs for impairment test and the useful lives of its intangible assets in accordance with the provisions of HKAS 36 and HKAS 38 respectively. No adjustment resulted from this assessment.

3. 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.

	2005	2004
	RMB	*RMB*
Turnover		
Sales of goods	**166,339,137**	196,596,466
Service income	**10,549,909**	4,402,770
	176,889,046	200,999,236
Other revenue		
Government grants	**1,644,786**	1,282,473
Interest income	**724,025**	572,684
Others	**115,755**	779,338
	2,484,566	2,634,495
Total revenue	**179,373,612**	203,633,731

4. 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			
	2005		2004	
	Segment revenue	**Contribution to operating profit**	Segment revenue	Contribution to operating profit
	RMB	***RMB***	*RMB*	*RMB*
Mainland China	**152,851,870**	**13,331,720**	169,598,499	19,939,518
Asia excluded Mainland China	**15,430,393**	**6,643,033**	26,079,360	2,981,774
Others	**8,606,783**	**3,869,075**	5,321,377	635,076
	176,889,046		200,999,236	
Profit from operations		**23,843,828**		23,556,368

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.

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2005	2004
	RMB	*RMB*
Interest on bank loans wholly repayable within five years	**7,839,762**	7,855,137
Less: amount capitalized in properties under construction *	**–**	(1,395,375)
	7,839,762	6,459,762

* *During the year 2004, interest of RMB1,395,375 was capitalised as construction expenditure at the rate on the related loan of approximately 5.49% per annum.*

(b) Other items

	2005	2004
	RMB	*RMB*
Impairment losses on trade receivables	**–**	3,263,979
Auditors' remuneration		
– audit services	**430,435**	461,100
– other services	**80,279**	–
Cost of inventories	**86,362,996**	97,923,148
Depreciation of property, plant and equipment	**10,608,958**	5,462,448
Amortisation of development costs	**3,116,075**	1,871,789
Amortisation of technological know-how	**1,000,000**	1,000,000
Amortisation of land lease premium held for own use	**259,020**	259,089
Loss on disposal of property, plant and equipment	**162,114**	301,402
Operating lease charges:		
Minimum lease payments	**651,122**	468,324
Less: Rental of staff quarters included in staff costs	**–**	(43,360)
	651,122	424,964
Research and development costs	**–**	21,016,398
Interest income	**(724,025)**	(572,684)

6. INCOME TAX EXPENSES

	2005	2004
	RMB	*RMB*
Current tax	**611,391**	1,979,248
Deferred tax *(note 11)*	**–**	100,000
	611,391	2,079,248

Currently, the Company is recognized by the Xi'an Municipal Bureau of Science and Technology as a high technology enterprise located in the Xi'an National High-tech Industrial Development Zone and is therefore subject to enterprise income tax ("EIT") rate of 15%.

The amount represents provision for EIT on the estimated assessable profit of the Company and its subsidiaries for the year. Taxation for the overseas subsidiary is charged at the appropriate current rates of taxation ruling in the relevant country.

Subsequent to the 2005 year end, on 15 January 2006, the Company submitted an application to the relevant tax authority for exemption from EIT for the first two profitable years of operations (i.e. for the years ended 31 December 2005 and 2006 respectively) and 50% reduction on the EIT for the following three years. However, up to the date of this report, the Company has not received any approval from the relevant tax authority for its application for the tax holiday.

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

	2005	2004
	RMB	*RMB*
Profit before taxation	**16,004,066**	17,096,606
Tax at domestic income tax rate applicable of profits in the respective countries	**2,336,769**	2,564,491
Tax effect of expenses that are not deductible in determining taxable profit	**609,806**	1,135,857
Tax effect of non-taxable revenue	**(135,861)**	–
Tax effect of unrecognised tax losses	**171,737**	–
Tax effect on additional tax allowance in respect of the research and development costs	**(2,371,060)**	(1,720,879)
Tax effect on additional tax allowance in respect of the government subsidy for export sales	**–**	(221)
Tax expenses	**611,391**	1,979,248

7. DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year is as follows:

	2005	2004
	RMB	*RMB*
Interim dividend declared and paid of 1.5 cents per share (2004: Nil)	**9,705,882**	–
Final dividend	**–**	–
	9,705,882	–

8. EARNINGS PER SHARE – BASIC

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB15,463,137 (2004: RMB15,017,358) and the weighted average number of 647,058,824 shares in issue during the year (2004: 647,058,824).

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

9. TRADE RECEIVABLES

Generally, the Group allows a credit period from 90 days to 240 days to its trade customers. For receivables from some customers, the amounts are settled by instalments which are mutually determined and agreed by the relevant parties. The aged analysis of trade receivables (net of impairment losses for bad and doubtful debts) is as follows:

	2005	2004
	RMB	*RMB*
Aged:		
0 - 60 days	**73,158,574**	58,370,665
61 - 120 days	**21,807,846**	24,689,672
121 - 180 days	**18,538,087**	11,696,278
181 - 240 days	**9,699,794**	20,074,349
241 - 365 days	**16,494,814**	16,984,692
Over 365 days	**36,173,418**	40,476,644
	175,872,533	172,292,300
Gross total	**186,441,892**	182,861,659
Less: Impairment losses for bad and doubtful debts	**(10,569,359)**	(10,569,359)
	175,872,533	172,292,300

10. BANK LOANS

	2005	2004
	RMB	*RMB*
Bank loans		
Secured	**91,565,460**	70,000,000
Unsecured	**30,000,000**	90,000,000
Total	**121,565,460**	160,000,000

The bank loans are repayable as follows:

Within one year	**51,565,460**	90,000,000
More than one year, but not exceeding two years	**50,000,000**	50,000,000
More than two years, but not exceeding five years	**20,000,000**	20,000,000
	121,565,460	160,000,000
Less: Amount repayable within one year shown under current liabilities	**(51,565,460)**	(90,000,000)
	70,000,000	70,000,000

As at 31 December 2005, the above bank loans bore interest at rates ranging from 5.22% to 5.76% per annum.

The Group has pledged the following assets for the banking facilities granted by the banks to the Group and the carrying value of the assets are as follows:

	2005	2004
	RMB	*RMB*
Bank deposits	**2,985,226**	8,003,168
Buildings	**51,335,564**	23,524,195
Land lease premium held for own use	**11,615,250**	11,874,270
Trade receivables	**21,565,460**	49,846,701
	87,501,500	93,248,334

11. DEFERRED TAXATION

	2005	2004
	RMB	*RMB*
At 1 January 2005	**600,000**	500,000
Deferred taxation charged for the year	**–**	100,000
At 31 December 2005	**600,000**	600,000

The amount represents deferred tax liability recognised at the balance sheet date in relation to deferred development costs.

CHAIRMAN'S STATEMENT

The year of 2005 was a challenging and difficult year for the Group. The wireless telecommunications industry in PRC was matured with conservative atmosphere and intense competition. Despite pressure on product selling price, fluctuating raw material cost, uncertainty over the timing of issuance of 3G licence and the possible restructuring among telecommunications operators, the Group still maintained stable gross profit margin. Profit attributable to equity holders of the Company reached RMB15.5 million for the year 2005, representing an increase of 3.3% comparing with the year 2004 while net profit margin was 8.8% compared to 7.5% in last year.

The Board is optimistic about the prospects of the development of the 3G telecommunications markets in the PRC. In December 2005, the Group has established a joint venture company with Datang Mobile Communications Equipment Co. Ltd. (大唐移動通訊設備有限公司) ("Datang Mobile") for the research and development of TD-SCDMA systems and equipment. Further efforts and investments are needed to grasp the coming opportunities. The Board is confident that the Group is well prepared and well positioned to face the challenges that 3G will bring.

Looking forward, in order to remain competitive in the market and to achieve long term growth, the Group will continue to implement stringent cost control policy, increase resources on research and development of new products and expand overseas markets to broaden customer base. The Group will continuously utilize its greatest endeavor to maximize the shareholder's return.

In the year 2005, the Board recommended payment of an interim dividend of RMB0.015 per share. In view of the opportunities and challenges in the year ahead and having considered the Group's requirement to retain sufficient financial flexibility for future business growth, the Board resolved not to declare any final dividend for the year ended 31 December 2005.

On behalf of the Board, I would like to extend gratitude to our shareholders, suppliers and customers for their continual support and I also take this opportunity to express my sincere thanks to our employees for their efforts and contributions to the Group during the year.

BUSINESS REVIEW

Turnover

The Group recorded a turnover of approximately RMB176.9 million for the year ended 31 December 2005, representing a decrease of approximately 12.0% from the previous year. The percentage of total sales of GSM/CDMA antenna series products and that of WLL/PHS base station antenna series products for this year was 50% and 14% respectively, compared to 57% and 20% respectively in the year 2004.

The decrease in total sales and sales from the above product lines was mainly due to the conservative atmosphere surrounding the wireless telecommunications industry which was resulting from the uncertainty on the timing of issuance of 3G licence by the PRC government and the possible restructuring among telecommunications operators. The adoption of the wait-and-see attitude by the telecommunications operators adversely affected the progress of network construction over the past year.

Facing with this challenge, the Group devoted more resources in developing the market of indoor distribution systems and network optimization projects, which effectively sustained steady growth in the year 2005. At the same time, the Group actively developed and launched new product items during the year including software sales and domestic short-wave communication antenna in order to expand our product base.

Gross Profit

The Group's gross profit for the year 2005 amounted to approximately RMB79.5 million. Gross profit margin was 44.9%, represented a slight decrease comparing to 45.9% for the year 2004. The decrease was mainly due to (1) intense competition within the market which exerted pressure on pricing of products, and (2) rising material prices including copper and oil which all constituted a difficult operating environment. Despite these challenges, the Group could still maintain comparable gross profit margin in the year 2005.

Operating Costs and Expenses

Distribution costs for the year 2005 amounted to approximately RMB31.9 million, representing a decrease of approximately RMB11.6 million or approximately 26.7% comparing with the year 2004. The sharp decrease was mainly due to a series of stringent cost control measures exercised by the Group including streamlining operation of sales and marketing division and more focused marketing effort on selected product lines, namely the indoor distribution system series and network optimization, which proved to be effective.

Administrative expenses of the Group were approximately RMB21.6 million for the year 2005, representing an increase of approximately 12.5% comparing with the year 2004. The increase was mainly attributable to increase in depreciation for the newly established research building and machineries acquired for improving production capacity during the year.

Other operating expenses of the Group amounted to approximately RMB4.6 million for the year 2005, representing a decrease of approximately 47.1% from last year. The amount mainly represented amortization of capitalized research and development cost and amortization of intangible assets. The decrease was attributable to the fact that research and development cost of approximately RMB6.2 million was net off against government grant for subsiding 3G and TD-SCDMA development activities during the year.

Net profit

Net profit for the year ended 31 December 2005 was approximately RMB15.5 million, representing an increase of 3.3% comparing with the year 2004. Net profit margin was 8.8% compared to 7.5% in last year.

Trade receivables

Trade receivables, before impairment losses for bad and doubtful debts, as at 31 December 2005 amounted to approximately RMB186.4 million, increased by approximately RMB3.5 million or 1.9% from the balance as at 31 December 2004. As sales to major customers including China Mobile Group, China Unicom Group, China Telecom Group and China Netcom Group were mainly occurred during the second half of the year, and longer credit periods were granted to these customers mainly based on mutually agreed instalment terms, therefore, trade receivables balance as at year end is usually higher than that at other month ends.

Furthermore, according to the contract terms with the abovementioned customers, 10% retention monies will only be released after successful completion of final testing for the antenna products. As condition for release of retention monies had not yet been fulfilled as at year end, long aged trade receivables due from these customers increased.

Taking into consideration that China Unicom Group, China Mobile Group, China Telecom Group and China Netcom Group are well-financed listed companies or companies affiliated to listed companies and that repayment history was all satisfactory, the Directors consider that the current level of allowance for doubtful debts is sufficient and the Group will continue to exercise tight control over granting of credit period and closely monitor the repayment progress from these major customers.

PROSPECTS

3G network infrastructure

The PRC government has yet to issue 3G licenses to local telecommunications operators, however, the Directors remain optimistic about the tremendous opportunities that 3G will bring to the business development of the Group and the Group is well prepared financially, technically and operationally in order to face the challenges and opportunities that 3G will bring.

Taking the advantages of pioneering status of Datang Mobile in TD-SCDMA technology development, the Group has established a joint venture company with Datang Mobile in December 2005 for the research and development, manufacture, provision of consultancy and services in respect of TD-SCDMA systems and equipment, multi-media communication systems and wireless distribution systems.

The Directors believe that through the establishment of the joint venture company with Datang Mobile, which has research and development capability and regional advantage, the Group's sales and distribution network for its mobile communication products will be strengthened, and at the same time, the range of its products, in particular, products relating to TD-SCDMA technology will be expanded.

Network optimization

Major telecommunications operators including China Mobile Group and China Telecom Group expressed their plans for improving their network operating quality and supporting capabilities in response to the growing demand in voice usage volume in the PRC. Facing with this opportunity, the Directors anticipate that revenue generated from indoor distribution system and network optimization will sustain a favorable growth trend in the coming year.

International markets

The Group continuously explores the overseas markets over the past few years and the Directors strongly believe there is an enormous potential in developing the global markets to broaden the Group's customer base. The Group has restructured the sales and marketing team which is now lead by expert in international business and will continue its focus on developing this market segment. It is expected that export sales will form a potential income stream for the Group in the coming years.

Research and development of new products

Since the Group had established an experienced research, development and production team in the past, it has successfully launched substitute products with higher added value as well as more cost effective production method which make the gross profit margin remain stable under a competitive environment. The Group will continue to launch new products and explore new business opportunities, including the domestic short-wave communication antenna market and terminal antenna market, and also adopt more stringent cost control policy so as to ensure the profit and beneficial results of the Group will increase.

CHARGES ON GROUP ASSETS

As at 31 December 2005, the Group pledged bank deposits of approximately RMB3.0 million, buildings of carrying value of approximately RMB51.3 million, land lease premium held for own use of carrying value of approximately RMB11.6 million and trade receivables of approximately RMB21.6 million for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2005, 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 2005, the Group had approximately 566 full-time employees. Total staff costs for the year 2005 amounted to approximately RMB22.2 million (2004: RMB26.4 million), including remuneration of the Directors and 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 employees.

SIGNIFICANT INVESTMENT HELD AND PERFORMANCE

During the year ended 31 December 2005, the Group incorporated three subsidiaries in PRC, namely 西安海天通信系統工程公司 (Xi'an Haitian Communication System Engineering Co., Ltd), which was mainly engaged in indoor distribution system and network optimization, 西安海泰科通訊軟件公司 (Xian Hi-Tech Communication Software Co., Ltd), which was mainly engaged in software agency and related products, and 嘉載通信設備有限公司 (the joint venture company established with Datang Mobile), which would be engaged in research and development, manufacture, provision of consultancy and services in respect of TD-SCDMA systems and equipment, multi-media communication systems and wireless distribution systems. Save as disclosed herein, during the year ended 31 December 2005 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 2005, 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 RMB1.9 million (2004: RMB4.4 million).

Save as disclosed herein the Group did not have other plans for material investment.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraph headed "Significant Investment Held and Performance" above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 December 2005.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 December 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 RMB69.4 million, RMB47.6 million, RMB39.8 million and RMB29.6 million respectively. Such trade receivables in an aggregate amount of approximately RMB186.4 million were owed by 50 trade customers which are independent third parties not connected with the Directors, the Supervisors, the 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 these customers and no interest is charged on such balances. The balances due from China Unicom Group, China Mobile Group, China Telecom Group and China Netcom Group as at 31 December 2005 represented approximately 14.8%, 10.1% and 8.5% respectively, exceeding 8% of the Group's total assets as at 31 December 2005 or representing approximately 34.4%, 23.6% and 19.7% respectively, exceeding 8% of the Group's market capitalization as at 31 December 2005. These balances give rise to disclosure obligations on the part of the Group 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 for the above, as at 31 December 2005, so far as is known to the Directors, there is no other advance which would give rise to disclosure obligations of Group under Rules 17.15 and 17.17 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practice (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the financial year ended 31 December 2005 subject to the deviations disclosed hereof.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company were only segregated since September 2005. Before then, the chairman and chief executive officer of the Company were Mr. Xiao Bing. Since September 2005, Mr. Xiao Bing has remained as the Chairman and Mr. Zhou Tianyou has served as the Chief Executive Officer. The Chairman focuses on group strategic and Board issues to ensure the Board acts in the best interests of the Group, while the Chief Executive Officer is responsible for running the Group's business and assuming full accountability to the Board for achieving the overall commercial objectives.

Under the code provision B.1.1, a listed issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. It was not until December 2005 that the Company established a remuneration committee as required under the code provision B.1.1.

Audit Committee

The Audit Committee, established in April 2003, is currently chaired by Mr. Wang Pengcheng, an independent non-executive Director, and the other members are Professor Gong Shuxi and Mr. Li Wenqi, with the majority being independent non-executive Directors.

The Audit Committee is responsible for reviewing accounting policies and practices adopted by the Group. It also reviews and discusses matters related to financial reporting, internal control, audit and performs other duties as assigned by the Board, and reports its work, findings and recommendations to the Board after each meeting in respect of the above matters as well as to the operating risks faced by the Group. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2005.

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

Xi'an, the PRC, 14 March 2006

As at the date of this announcement, the Board comprises肖兵先生(Mr. Xiao Bing), 梁志軍先生(Mr. Liang Zhijun) and周天游先生(Mr. Zhou Tianyou) 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龔書喜教授(Professor. Gong Shuxi), 王鵬程先生(Mr. Wang Pengcheng) and強文郁先生(Mr. Qiang Wenyu) being independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.