



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)

FIRST QUARTERLY REPORT
2006

* for identification purposes only

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**.

The principal means of information dissemination on **GEM** is publication on the internet website operated by the **Stock Exchange**. The **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 the **GEM**-listed issuers.

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

*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report 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 31 March 2006, the Group recorded an unaudited net loss of approximately RMB9.0 million, representing a decrease in the net loss by approximately RMB1.4 million or 13.5% as compared to the corresponding period in the year 2005.
- The Board does not recommend the payment of a dividend for the three months ended 31 March 2006 (2005: nil).

CONSOLIDATED RESULT FOR THE THREE MONTHS ENDED 31 MARCH 2006

The Board hereby announces the unaudited operating results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2006, together with the unaudited comparative figures for the corresponding period in the year 2005 as follows:

	Notes	(Unaudited)	
		For the three months ended 31 March	
		2006	2005
		RMB'000	RMB'000
Turnover	3	27,859	22,501
Cost of sales		(18,218)	(11,821)
Gross profit		9,641	10,679
Other operating income		293	200
Distribution costs		(8,291)	(9,905)
Administrative expenses		(7,101)	(5,060)
Other operating expenses		(3,775)	(4,222)
Loss from operations		(9,233)	(8,308)
Finance costs		(1,235)	(2,059)
Loss before taxation		(10,468)	(10,367)
Income tax expenses	4	525	–
Loss before minority interests		(9,943)	(10,367)
Minority interests		927	–
Net loss for the period		(9,016)	(10,367)
Loss per share – Basic, RMB cents	6	(1.4)	(1.7)

Notes to the Unaudited Consolidated Financial Results*For the three months ended 31 March 2006***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.

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 followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

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 31 March	
	2006	2005
	RMB'000	RMB'000
Sales of goods	24,423	20,662
Service income	3,436	1,839
	27,859	22,501

Turnover breakdown by geographical locations:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2006	2005
	RMB'000	RMB'000
The People's Republic of China (the "PRC")	17,747	20,910
Overseas	10,112	1,591
	27,859	22,501

4. INCOME TAX EXPENSES

The amount represents the reversal of over-provision for the Enterprise Income Tax ("EIT") on the Group's estimated assessable profit for the year 2005.

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. On 10 March 2006, the Company received the approval from the relevant tax authority for its application for the tax exemption.

5. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2006 (2005: nil).

6. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the unaudited net loss for the three months ended 31 March 2006 of approximately RMB9,016,000 (unaudited net loss for the three months ended 31 March 2005: approximately RMB10,367,000) divided by the number of 647,058,824 shares in issue (2005: 647,058,824 shares).

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

7. RESERVES

	Share premium RMB'000 (unaudited)	Statutory surplus reserve RMB'000 (unaudited)	Statutory public welfare fund RMB'000 (unaudited)	Accumulated profits RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 1 January 2005	71,229	9,805	5,326	81,639	167,999
Net loss for the three months ended 31 March 2005				(10,367)	(10,367)
At 31 March 2005	71,229	9,805	5,326	71,272	157,632
At 1 January 2006	71,229	10,213	5,529	86,785	173,756
Net loss for the three months ended 31 March 2006				(9,016)	(9,016)
At 31 March 2006	71,229	10,213	5,529	77,769	164,740

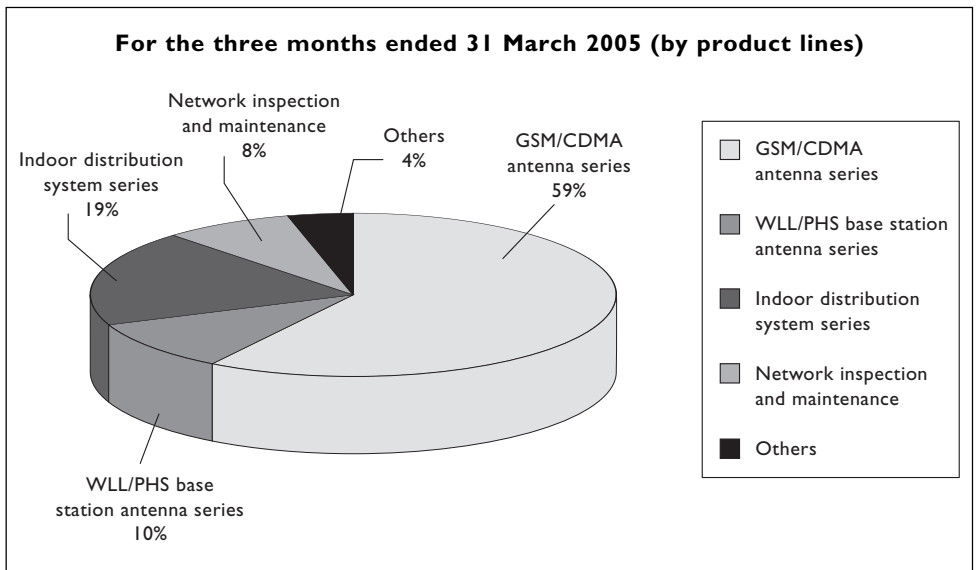
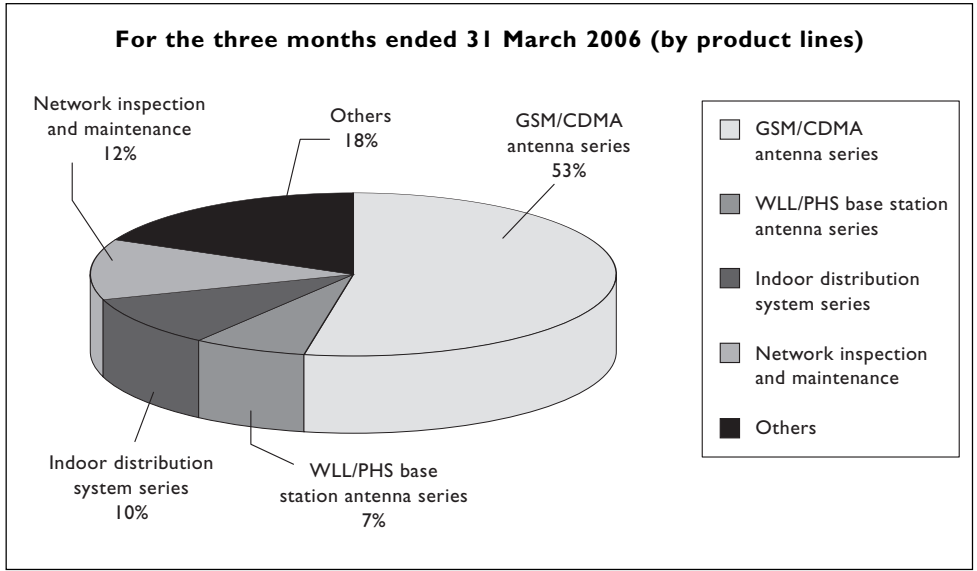
MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover

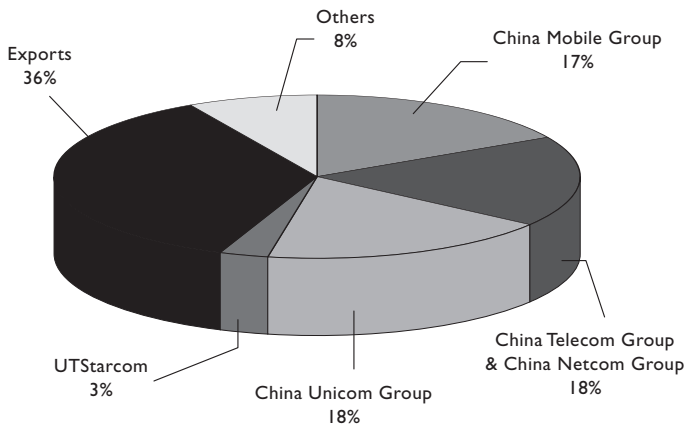
The Group recorded an unaudited turnover of approximately RMB27.9 million for the three months ended 31 March 2006, representing an increase of approximately 24.0% as compared with the unaudited turnover for the corresponding period in the year 2005. The increase was mainly attributable to (1) domestic markets: the Group successfully achieved marked increase in sales on high margin products including sales of domestic short-wave communication antenna and provision of network inspection and maintenance services. The increase in Group's revenue from the above product lines during the reporting period amounted to RMB5.9 million, representing an increase of 223% when comparing with the same period in the year 2005; and (2) overseas markets: export sales for the three months ended 31 March 2006 increased significantly by RMB8.5 million, representing an increase of approximately 535.6%, to RMB10.1 million when comparing with the corresponding period in the year 2005. This increase was the result of the Group's continuous emphasis and effort of exploring overseas markets.

Composite of sales by product lines for the three months ended 31 March 2006, together with the comparative figures for the corresponding period in the year 2005, are provided as follows:

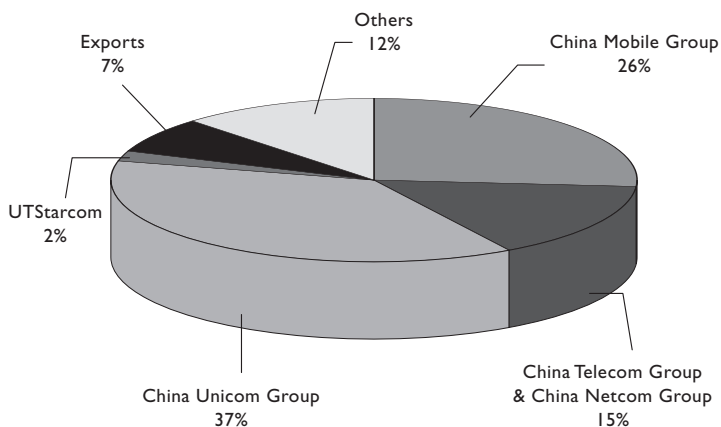


Composite of turnover by major customers for the three months ended 31 March 2006, together with the comparative figures for the corresponding period in the year 2005, is provided as follows:

For the three months ended 31 March 2006 (by major customers)



For the three months ended 31 March 2005 (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 three months ended 31 March 2006, the Group's recorded unaudited gross profit amounted to approximately RMB9.6 million, gross profit margin was 34.6%, represented a material decrease when compared to the gross profit margin of 47.6% for the corresponding period in the year 2005. The decrease was mainly due to (1) declining demand of telecommunication operators intensified price competition within the market which adversely affected the profit margin; and (2) rising material prices when compared with year 2005 which deteriorated the situation.

Operating Costs and Expenses

Distribution costs of the Group amounted to approximately RMB8.3 million for the three months ended 31 March 2006, representing a decrease of approximately RMB1.6 million or approximately 16.2% comparing with the corresponding period in the year 2005. The decrease was mainly due to the decrease in agency services fee for the period and also a series of cost control measures exercised by the Group and which proved to be effective.

Administrative expenses were approximately RMB7.1 million for the three months ended 31 March 2006, representing an increase of approximately RMB2.0 million or approximately 39.2% comparing with the corresponding period in the year 2005. Since the Group is expanding its operating scale, a general increase in administrative expenses was recorded. Besides, the increase was also resulted from increase in the depreciation of property, plant and equipment.

Other operating expenses amounted to approximately RMB3.8 million, representing a decrease of approximately 9.5% when comparing with the corresponding period in last year. The amount mainly represented research and development cost, amortization of capitalized research and development cost and amortization of intangible assets.

Finance costs, mainly interest expenses, decreased by approximately RMB0.9 million, or 42.9% comparing with the corresponding period in the year 2005. The decrease was mainly due to decrease in average monthly bank loan balance during the current period when compared with that in year 2005.

PROSPECTS

During the three months ended 31 March 2006, the Group had reached small batch production stage of 3G related products and the Directors remain optimistic about the prospects of the development of the 3G telecommunications markets in the PRC. The Group will put further efforts and investments in developing TD-SCDMA related products.

The Group will continue its focus on developing new products and exploring new markets in order to broaden the income source. The Directors strongly believe that export sales will form an increasing income stream for the Group in the coming years.

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 31 March 2006, the interests and short positions of the Directors, Supervisors (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) and chief executives of the Company, including their respective associates, in the shares (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 Domestic Shares of the Company

Name of Director	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	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	37.09%	27.81%

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, Supervisors and 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 31 March 2006 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 31 March 2006, so far as is known to the Directors, Supervisors and chief executives of the Company, none of the Directors, Supervisors or chief executives of the Company or any of their respective 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

As at 31 March 2006, the following persons or entities (other than the Directors, Supervisors and chief executives of the Company) 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:

(A) Substantial shareholders of the Company

Long positions in Domestic Shares of the Company

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Domestic Shares					
Tian An Investment	Corporate	Beneficial owner	180,000,000 (Note 1)	37.09%	27.81%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.81%
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert	180,000,000 (Note 2)	37.09%	27.81%

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
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	20.60%	15.45%
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 (Note 3)	14.45%	10.84%
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.45%	10.84%
陝西保升國際投資有限公司 (Shaanxi Baosheng International Investment Company Limited*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.45%	10.84%

Notes:

1. 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, Ms. Yao Wenli was deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.
2. 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 Tian An Investment.
3. 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*Long positions in Domestic Shares of the Company*

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
北京京泰投資管理中心 (Beijing Holdings Investment Management Co., Ltd.*, "Beijing Holdings")	Corporate	Beneficial owner	54,077,941 (Note 1)	11.14%	8.35%
京泰實業(集團)有限公司 (Beijing Holdings (Group) Limited*)	Corporate	Held by controlled corporation	54,077,941 (Note 1)	11.14%	8.35%
陝西省絲綢進出口公司 (Shaanxi Silk Import & Export Corporation*, "Shaanxi Silk")	Corporate	Beneficial owner	45,064,706 (Note 2)	9.28%	6.96%
陝西省財政廳 (Shaanxi Finance Bureau*)	Corporate	Held by controlled corporation	45,064,706 (Note 2)	9.28%	6.96%

Long positions in H Shares of the Company

Name of shareholder	Type of interest	Capacity	Number of H Shares held in the Company	Approximate percentage in the total issued H Shares of the Company	Approximate percentage in the total issued share capital of the Company
Atlantis Investment Management Limited	Corporate	Investment manager	14,736,000 (Note 3)	9.10%	2.27%
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 (Note 3)	8.03%	2.00%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 (Note 3)	6.50%	1.62%
宋穎女士	Personal	Beneficial owner	8,800,000	5.43%	1.35%

* *for identification purpose only*

Notes:

1. 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.
2. 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.
3. 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.

Save as disclosed above, as at 31 March 2006, the Directors, Supervisors and chief executives of the Company were not aware of any person (other than the Directors, Supervisors and 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.

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 31 March 2006, 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 three months ended 31 March 2006 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.

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 three months ended 31 March 2006.

By order of the Board

Xiao Bing

Chairman

Xi'an, the PRC, 12 May 2006

As at the date of this report, 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.