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 2006)

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 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. 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 in order to obtain up-to-date information on GEM-listed issuers.

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

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*

FINAL RESULTS

The board of Directors (the "Board") of Xi'an Haitian Antenna Technologies Co., Ltd. (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006, together with the comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	**2006** **RMB**	2005 RMB
TURNOVER	6	**117,119,020**	176,889,046
COST OF SALES		**(95,534,192)**	(97,416,207)
GROSS PROFIT		**21,584,828**	79,472,839
OTHER REVENUE	6	**861,465**	2,484,566
DISTRIBUTION COSTS		**(28,474,928)**	(31,909,604)
ADMINISTRATIVE EXPENSES		**(39,303,237)**	(21,567,603)
OTHER OPERATING EXPENSES		**(18,618,022)**	(4,636,370)
(LOSS)/PROFIT FROM OPERATIONS		**(63,949,894)**	23,843,828
FINANCE COSTS	8a	**(9,361,873)**	(7,839,762)
(LOSS)/PROFIT BEFORE TAXATION	8	**(73,311,767)**	16,004,066
INCOME TAX CREDIT/(EXPENSE)	9	**268,451**	(611,391)
(LOSS)/PROFIT FOR THE YEAR		**(73,043,316)**	15,392,675
ATTRIBUTABLE TO			
Equity shareholders of the Company		**(68,109,460)**	15,463,137
Minority interests		**(4,933,856)**	(70,462)
(LOSS)/PROFIT FOR THE YEAR		**(73,043,316)**	15,392,675
DIVIDEND	10	**–**	9,705,882
(LOSS)/EARNINGS PER SHARE – BASIC	11	**(10.5) cents**	2.4 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	Notes	2006 RMB	2005 RMB
NON-CURRENT ASSETS			
Interests in leasehold land held for own use under operating leases		**11,356,265**	11,615,250
Intangible assets		**86,279,431**	35,266,359
Property, plant and equipment		**144,180,430**	97,979,542
Other financial assets		**280,000**	280,000
Pledged bank deposits		**883,497**	796,219
		242,979,623	145,937,370
CURRENT ASSETS			
Inventories		**34,040,218**	35,696,685
Trade receivables	*12*	**101,681,916**	175,872,533
Bills receivable		**–**	1,120,378
Other receivables and prepayments		**36,715,191**	12,128,923
Amounts due from directors		**1,404,701**	1,862,240
Amounts due from related parties		**4,205,646**	3,235,720
Pledged bank deposits		**869,896**	2,189,007
Bank balances and cash		**47,925,958**	91,248,697
		226,843,526	323,354,183
CURRENT LIABILITIES			
Trade payables	*13*	**61,850,110**	69,929,958
Bills payable		**–**	10,631,626
Other payables and accrued charges		**27,769,187**	17,531,017
Dividend payable		**2,011,140**	3,003,140
Taxation		**3,035,156**	7,438,623
Interest bearing borrowings	*14*	**163,600,343**	51,565,460
		258,265,936	160,099,824
NET CURRENT (LIABILITIES)/ASSETS		**(31,422,410)**	163,254,359
TOTAL ASSETS LESS CURRENT LIABILITIES		**211,557,213**	309,191,729
NON-CURRENT LIABILITIES			
Interest bearing borrowings	*14*	**–**	70,000,000
Deferred taxation	*15*	**600,000**	600,000
		600,000	70,600,000
NET ASSETS		**210,957,213**	238,591,729
CAPITAL AND RESERVES			
Share capital		**64,705,882**	64,705,882
Reserves		**105,646,849**	173,756,309
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**170,352,731**	238,462,191
MINORITY INTERESTS		**40,604,482**	129,538
TOTAL EQUITY		**210,957,213**	238,591,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	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 1 January 2005	64,705,882	71,228,946	9,805,345	5,325,656	81,639,107	232,704,936	–	232,704,936
Dividend	–	–	–	–	(9,705,882)	(9,705,882)	–	(9,705,882)
Capital injection by minority interests	–	–	–	–	–	–	200,000	200,000
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
Capital injection by minority interests	–	–	–	–	–	–	45,458,800	45,458,800
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(50,000)	(50,000)
Loss for the year	–	–	–	–	(68,109,460)	(68,109,460)	(4,933,856)	(73,043,316)
Transfer	–	–	410,835	–	(410,835)	–	–	–
At 31 December 2006	**64,705,882**	**71,228,946**	**10,623,775**	**5,529,453**	**18,264,675**	**170,352,731**	**40,604,482**	**210,957,213**

Notes:

1. ORGANISATION AND OPERATIONS

The Company is a foreign investment joint stock limited company and its overseas listed foreign shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company are research and development, manufacture and sale of base station antennas and related products.

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. BASIS OF PRESENTATION – MATERIAL UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS

The Group sustained consolidated loss from ordinary activities attributable to shareholders of RMB68,109,460 (2005: consolidated profit RMB15,463,137) during the year, reported consolidated net current liabilities of RMB31,422,410 (2005: consolidated net current assets RMB163,254,359) as at 31 December 2006, and reported consolidated net cash outflow from operating activities of RMB11,782,802 (2005: consolidated net cash inflow from operating activities RMB47,473,790).

Notwithstanding going concerns and liquidity concerns arising from the consolidated net current liabilities as at 31 December 2006, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year, after taking into account several measures adopted and to be adopted subsequent to the balance sheet date as further detailed below:

(a) On 2 March 2007, the Company and two joint placing agents (the "Joint Placing Agents") entered into a non-legally binding preliminary placing agreement (the "Preliminary Agreement"), pursuant to which the Joint Placing Agents have agreed in principle to, on a best effort basis, severally procure placees to subscribe for and purchase an aggregate of not more than 177,941,177 H shares at an agreed-upon placing price (the "Placing Price"). The Placing Price will be determined upon execution of a definitive placing agreement (the "Definitive Placing Agreement").

The Company and the Joint Placing Agents shall execute the Definitive Placing Agreement on a date to be agreed between them after the following conditions have been fulfilled:

(1) the obtaining of the necessary approval of the shareholders of the Company for the issue of the New H Shares and the sale of the Sale H Shares in accordance with the Company's articles of association and the applicable laws and regulations; and

(2) the obtaining of all necessary consents and approval of the relevant regulatory authorities in the mainland China and Hong Kong for the issue of the New H Shares and the sale of the Sale H Shares, including the approval of the China Securities Regulatory Commission ("CSRC") and the State-owned Assets Supervision and Administration Commission of the State Council of the mainland China ("SASAC"), if applicable.

Based on the maximum number of new H shares of 161,764,706 to be issued under the Agreement and the indicative placing price of approximately HK$0.32 per new H shares (being a discount of 20% to the average closing price of H share as quote on GEM for the 15 consecutive trading days ended on 2 March 2007), if the placing is successful, the gross proceeds from the placing of the New H Shares are estimated to be approximately HK$51.76 million.

The Preliminary Placing Agreement will lapse and has no effect on the date falling 6 months after the approval of the CSRC for the issue of the New H Shares and the sale of the Sale H Shares has been obtained. In such event no party to the Preliminary Placing Agreement shall have any claims against the other for any loss or damages.

There are no provisions in the Preliminary Placing Agreement which impose any obligation on the Company to sign the Definitive Placing Agreement or complete the Placing within a specific period of time.

(b) The Group maintains good and stable relationship with its banks and are confident of receiving continuing financial support from the banks. The Group is actively discussing with its banks for the renewal of various collateralised short term banking facilities of approximately RMB140 million which respectively shall expire in 2007. The directors are confident that the banks will agree to renew the short term banking facilities. With the ongoing support from the banks by way of renewal of the short term banking facilities, the Group should be able to rely on the facilities to generate sufficient cashflow from on-going operations to cover its operating costs and to meet its financing commitments.

(c) A related company has indicated its intention to continue to provide financial support to the Company by way of pledging its land as security for the Company to renew the bank loan and if necessary, increase the banking facilities.

(d) On 2 March 2007, the board of directors passed a resolution to approve of the Company to dispose of the land and building which comprise the office buildings and the production facilities for not less than RMB40,000,000 by no later than end of June 2007.

(e) The directors have adopted various cost control measures to reduce various general and administrative and other operating expenses.

In the opinion of the directors, in light of the measures adopted, together with the expected results of other measures and arrangements in progress and as planned, the Group will have sufficient financial resources to satisfy its working capital needs and other financing requirements for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to achieve the above and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Group and the Company. The accounting policies of the Group and Company after the adoption of these new and revised HKFRSs have been summarised below.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 18). The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

– HKAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;

– HKAS 21 Amendment – Net Investment in a Foreign Operation;

- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKAS 39 and HKFRS 4 Amendment – Financial Guarantee Contracts;
- HKFRS 6 – Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 – Amendment – First-time Adoption of Hong Kong Financial Reporting Standards and HKIFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4 – Determining whether an Arrangement contains a Lease;
- HKFRS-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

(b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the other financial assets are stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign Exchange Risk

Most of the Group's monetary assets and liabilities are denominated in Renminbi, and the Group conducted its business transactions principally in RMB. The exchange rate risk of the Group is not significant.

(b) Credit Risks

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(c) Liquidity Risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans.

(d) Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

The key sources of estimation uncertainty are as follows:

(i) Write-downs of inventories

Inventories are written down to net realizable value based on an assessment of the reliability of inventories. Written-downs on inventories are recorded where events or changes in circumstances indicate that the balance may not be realized. The identification of written-downs requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the periods in which such estimate has been changed.

(ii) Estimated provision for impairment of trade and other receivables

The Group makes impairment losses on bad and doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Impairments are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and bad and doubtful debts expenses in the period in which such estimate has been charged.

(b) Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

Going concern basis

As mentioned in note 2 to the financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assts and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

6. TURNOVER AND REVENUE

The principal activities of the Group are research and development, manufacturing and sales of base station and related products.

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.

	2006	2005
	RMB	*RMB*
Turnover		
Sales of goods	**109,416,210**	166,339,137
Service income	**7,702,810**	10,549,909
	117,119,020	176,889,046
Other revenue		
Government grants	**189,300**	1,644,786
Interest income	**604,673**	724,025
Others	**67,492**	115,755
	861,465	2,484,566
Total revenue	**117,980,485**	179,373,612

7. 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			
	2006		2005	
	Segment revenue	**Contribution to operating profit/(loss)**	Segment revenue	Contribution to operating profit
	RMB	***RMB***	*RMB*	*RMB*
Mainland China	**88,819,541**	**(72,966,924)**	152,851,870	13,331,720
Asia excluded Mainland China	**23,848,403**	**7,706,026**	15,430,393	6,643,033
Others	**4,451,076**	**1,311,004**	8,606,783	3,869,075
	117,119,020		176,889,046	
(Loss)/profit from operations		**(63,949,894)**		23,843,828

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.

8. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2006	2005
	RMB	*RMB*
Interest on bank loans wholly repayable within five years	**9,361,873**	7,839,762

(b) Other items

	2006	2005
	RMB	*RMB*
Auditors' remuneration		
– audit services	**595,500**	430,435
– other services	**180,897**	80,279
Cost of inventories	**87,968,373**	86,362,996
Depreciation of property, plant and equipment	**8,577,381**	10,608,958
Amortisation of development costs	**7,419,334**	3,116,075
Amortisation of technological know-how	**7,761,677**	1,000,000
Amortisation of land lease premium held for own use	**258,985**	259,020
Loss on disposal of property, plant and equipment	**35,101**	162,114
Provision for obsolete stock	**3,219,479**	–
Impairment losses for bad and doubtful debts	**6,340,443**	–
Operating lease charges:		
Minimum lease payments	**738,941**	651,122
Research and development costs	**1,019,684**	–
Interest income	**(604,673)**	(724,025)

9. INCOME TAX (CREDIT)/EXPENSE

	2006	2005
	RMB	*RMB*
Current tax (credit)/expense	**(268,451)**	611,391
Deferred tax *(note 15)*	**–**	–
	(268,451)	611,391

Currently, the Company and its subsidiaries established in mainland China are recognised 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. In accordance with the applicable enterprise income tax of mainland China, they are subject to mainland China enterprise income tax ("EIT") at a rate of 24%. The Company was exempted from EIT and the local tax for the first two profitable years (i.e. for the years ended 31 December 2005 and 2006) of operations after offsetting prior year losses and is entitled to a 50% reduction, which is 12%, on the EIT for the following three years (i.e. commencing from 1 January 2007) in accordance with Article 8 of Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

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

The (credit)/charge for the year can be reconciled to the (loss)/profit as shown in the income statement as follows:

	2006	2005
	RMB	*RMB*
(Loss)/profit before taxation	**(73,311,767)**	16,004,066
Tax at domestic income tax rate applicable of profits in the respective countries	**(10,844,137)**	2,336,769
Tax effect of expenses that are not deductible in determining taxable profit	**7,240,257**	609,806
Tax effect of non-taxable revenue	**(1,684,924)**	(135,861)
Tax effect of unrecognised tax losses	**5,020,353**	171,737
Tax effect on additional tax allowance in respect of the research and development costs	**–**	(2,371,060)
Tax (credit)/expense	**(268,451)**	611,391

10. DIVIDEND

Dividend payable to equity shareholders of the Company attributable to the year 2005 was as follows:

	2006	2005
	RMB	*RMB*
Interim dividend declared and paid of Nil per share (2005: 1.5 cents per share)	**–**	9,705,882

11. (LOSS)/EARNINGS PER SHARE – BASIC

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB68,109,460 (2005: profit of RMB15,463,137) and the weighted average number of 647,058,824 shares in issue during the year (2005: 647,058,824).

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

12. TRADE RECEIVABLES

Generally, the Group allows a credit period from 90 days to 240 days to its trade customers. For receivables from certain 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:

	2006	2005
	RMB	*RMB*
Aged:		
0 - 60 days	**22,515,225**	73,158,574
61 - 120 days	**11,431,889**	21,807,846
121 - 180 days	**11,924,240**	18,538,087
181 - 240 days	**9,396,942**	9,699,794
241 - 365 days	**6,220,530**	16,494,814
Over 365 days	**40,193,090**	36,173,418
	101,681,916	175,872,533
Gross total	**118,591,718**	186,441,892
Less: Impairment losses for bad and doubtful debts	**(16,909,802)**	(10,569,359)
	101,681,916	175,872,533

13. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2006	2005
	RMB	*RMB*
Aged:		
0 - 60 days	**18,831,616**	39,850,104
61 - 120 days	**6,351,353**	14,107,757
121 - 365 days	**27,695,887**	14,727,264
Over 365 days	**8,971,254**	1,244,833
	61,850,110	69,929,958

14. INTEREST BEARING BORROWINGS

The Group and the Company

	2006	2005
	RMB	*RMB*
Bank loans *(i)*		
Secured	**139,600,343**	91,565,460
Unsecured	**–**	30,000,000
	139,600,343	121,565,460
Other short-term loans, unsecured *(ii)*	**24,000,000**	–
Total	**163,600,343**	121,565,460
The loans are repayable as follows:		
Within one year	**163,600,343**	51,565,460
More than one year, but not exceeding two years	**–**	50,000,000
More than two years, but not exceeding five years	**–**	20,000,000
	163,600,343	121,565,460
Less: Amount repayable within one year shown under current liabilities	**(163,600,343)**	(51,565,460)
	–	70,000,000

(i) As at 31 December 2006, the bank loans bore interest at rates ranging from 5.22% to 7.61% per annum.

(ii) Other short-term loans bore interest at 6% per annum, were unsecured and repayable on 21 May 2007.

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:

	2006	2005
	RMB	*RMB*
Bank deposits	**1,753,393**	2,985,226
Buildings	**49,648,567**	51,335,564
Land lease premium held for own use	**11,356,265**	11,615,250
Trade receivables	**20,600,343**	21,565,460
	83,358,568	87,501,500

Personal guarantees are provided by a director of the Company and related parties for the banking facilities of RMB10,000,000 granted the Group.

15. DEFERRED TAXATION

	2006	2005
	RMB	*RMB*
At 1 January	**600,000**	600,000
Deferred taxation charged for the year	**–**	–
At 31 December	**600,000**	600,000

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

16. RELATED PARTY TRANSACTIONS

(a) The following is a summary of the significant transactions with a related party during the year.

	2006	2005
	RMB	*RMB*
Rent paid to 西安海天投資控股有限責任公司 for the lease of land	**2,630,000**	–

Mr. Xiao Bing, an executive director of the Company owns 75% of the shares of 西安海天投資控股有限責任公司, 5% by Mr. Liang Zhijun, a director of the Company and Mr. Fang Xi, the financial controller of the Company owns 5%. The lease was for three years and was negotiated at arms-length basis in accordance with common commercial terms in the same manner as other outsiders. The details were outlined in the circular dated 6 July 2006.

(b) During the year, Mr. Xiao Bing, an executive director of the Company and Ms. Chen Jing, wife of Mr. Xiao Bing, Mr. Fang Xi, financial controller of the Company and Ms. Zhang Dandan, wife of Mr. Fang Xi, gave personal guarantees to a bank, through a third party, to secure a bank loan amounting to RMB10,000,000 granted to the Company.

17. POST BALANCE SHEET EVENT

On 2 March 2007, the Company and two joint placing agents (the "Joint Placing Agents") entered into a non-legally binding preliminary placing agreement, pursuant to which the Joint Placing Agents have agreed in principle to, on a best effort basis, severally procure placees to subscribe for and purchase an aggregate of not more than 177,941,177 H shares at an agreed-upon placing price. The details of the placing arrangement are set out in note 2(a).

18. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, FOR THE YEAR ENDED 31 DECEMBER 2006

The Group has not early applied the following amendments, new standard and interpretations that have been issued but are not yet effective. The director of the Company anticipate that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 May 2007

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Group incurred consolidated loss of RMB68,109,460 during the year ended 31 December 2006 and, as of that date, the Group reported consolidated net current liabilities of RMB31,422,410. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS NOT REVIEWED BY AUDITORS

This preliminary announcement of the Group's result for the year ended 31 December 2006 was prepared based on draft financial statements which have been reviewed by the Group's auditor, Messrs. CCIF CPA Limited. The Group has not agreed with Messrs. CCIF CPA Limited as to the contents of this preliminary announcement since there has been a disagreement on the auditors' fee for reviewing this preliminary announcement set forth in an engagement letter provided by Messrs. CCIF CPA Limited to the Company dated 6 March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

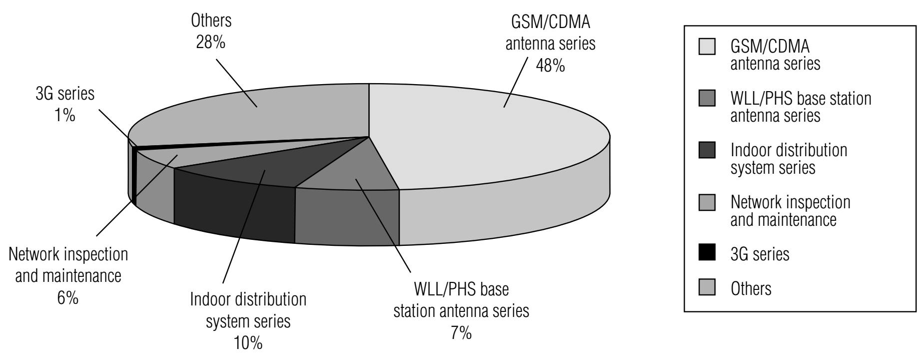
Revenue

The Group recorded a turnover of approximately RMB117.1 million for the year ended 31 December 2006, representing a decrease of approximately 33.8% from last year. The decrease was mainly attributable to (a) tightened credit control exercised by the Group during the year 2006; (b) further delay in the issuance of 3G licence by the PRC government; and (c) certain mobile operators were cautious in implementing their network expansion plans. Intense competition in the maturing 2G mobile communications market and price pressure from the central procurement strategy adopted by China Mobile Group also lead to sizable drop in total revenue of the Group.

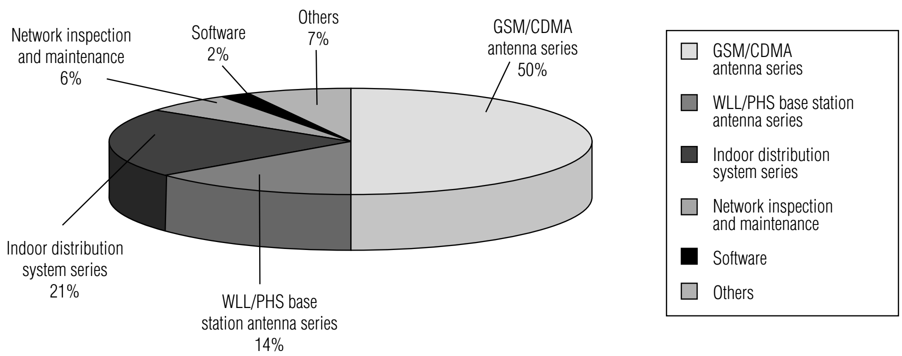
In response to the anticipated decline in sales of 2G products, the Group has been proactively developing the international market which contributed 24.0% of the Group's revenue in 2006, representing 17.6% increase when compared to the year 2005. More importantly, though our initiatives on expanding product portfolio, revenue generated from other antenna series reached RMB33.0 million in 2006, accounting for 28.0% of the Group's revenue and representing an increase of 199.0% against the previous year. The above measures successfully mitigate the declining revenue from existing business.

Composite of sales by product line for the year ended 31 December 2006, together with the comparative figures for the year ended 31 December 2005, are provided as follows:

For the year ended 31 December 2006 (by product lines)

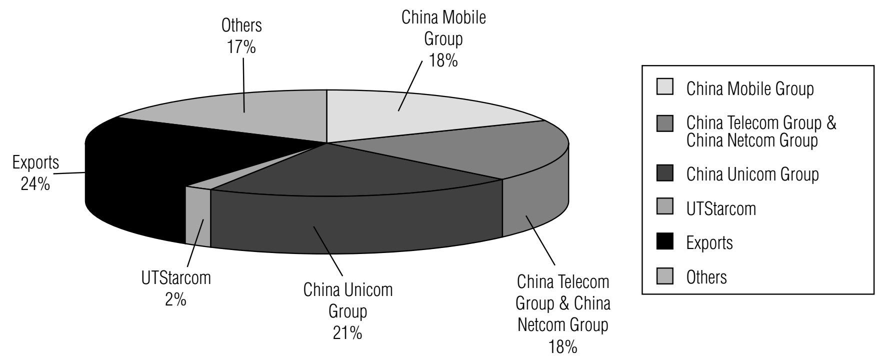


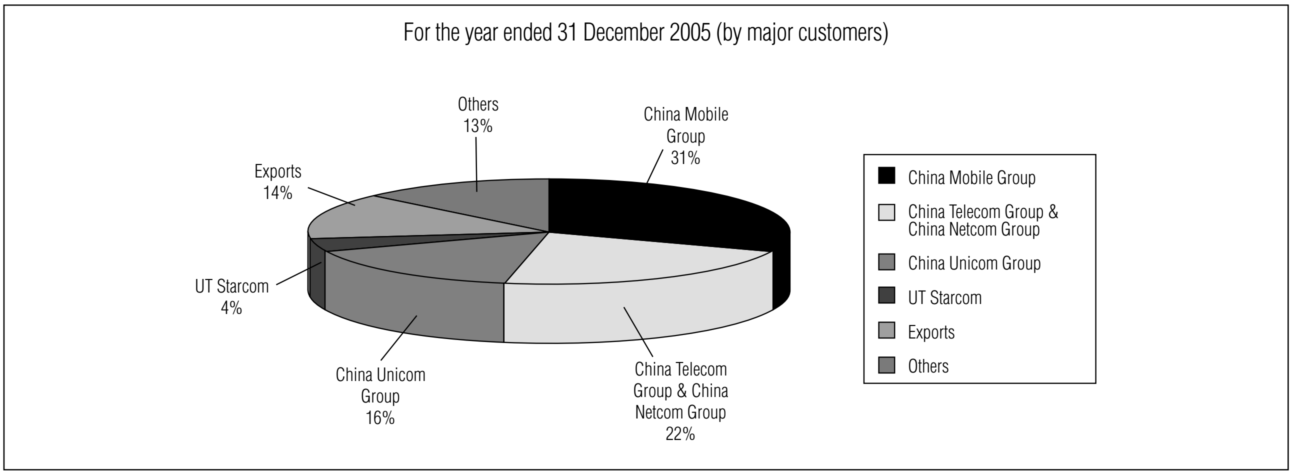
For the year ended 31 December 2005 (by product lines)



Composite of turnover by major customers for the year ended 31 December 2006, together with the comparative figures for the year ended 31 December 2005, are provided as follows:

For the year ended 31 December 2006 (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

The Group’s gross profit for the year 2006 amounted to RMB21.6 million, representing a decrease of 72.8% over 2005. Gross profit margin was 18.4% in 2006 compared to 44.9% in 2005. The declining profit margin was due to the Group suffered from downward trend in selling prices and rising material cost over the past year and sales from higher margin products were not yet mature enough to be the main revenue driver of the Group in order to compensate the decreasing margin.

Operating Costs and Expenses

Distribution costs were approximately RMB28.5 million, representing a decrease of approximately 10.7% over year 2005. This was primarily a result of the Group’s strengthened budgetary control. Besides, with more focused sales and marketing efforts on developing international market, distribution costs were utilized more efficiently.

Administrative expenses had increased by approximately 81.9%, amounting to approximately RMB39.3 million comparing with the year 2005. Since the Group is expanding its operating scale, a general increase in administrative expense was recorded especially for payroll, professional fee and depreciation expense. Besides, in view of recoverability of certain trade receivables, an allowance for doubtful debts amounted to RMB6.3 million was made. Moreover, a provision for obsolete inventories amounted to RMB3.2 million was also made during 2006.

Other operating expenses amounted to approximately RMB18.6 million, representing an increase of approximately RMB14.0 million comparing with year 2005. The increase was mainly resulted from the amortization of capitalized research and development cost and amortization of prepayment for TD-SCDMA technology licence.

Consequently, loss attributable to shareholders for the year ended 31 December 2006 was RMB68.1 million compared to a profit attributable to shareholders of approximately RMB15.5 million in the previous year. The net loss position was mainly due to the decrease in gross profit and increase in costs and expenses as mentioned above.

PROSPECTS

3G opportunities

During 2006, TD-SCDMA has gone through several rounds of pre-commercial trials and the Group made full use of its advantage in the techniques, participated actively in the research and development of TD-SCDMA products, and some of which have already been applied in the trail network.

Leveraging on its edge in technology, the Group had actively involved in research and development of TD-SCDMA, with a total of 8 TD-SCDMA intelligent antennas being developed and a 128 multi-probe 3D radiation pattern test system which enables dual testing function of handsets and intelligent antennas being completed and perfected.

嘉載通信設備有限公司 ("Jiazai Communications Equipment Company Limited"), a joint venture established by the Group and Datang Mobile Communications Equipment Company Limited ("Datang Mobile"), would focus on the manufacturing of TD-SCDMA micro cellular base station, and would supply the products to Datang Mobile exclusively in future 3G construction work in the PRC.

The PRC government will build more TD-SCDMA networks for testing the 3G technology platform in 2007, aiming to prepare for further commercialization of the self-developed standard before 2008 Olympic games are held. Although the government has yet to draw up a clear 3G road map, in view of the conditions for the 3G technology become mature, the Directors still remain cautiously optimistic about the opportunities that 3G will bring to the Group.

Global income source

The Group proactively developed the international market over the past few years, which became the key revenue driver of the Group and contributed a stable and significant stream of revenue to the Group during 2006. The Directors believe that the expansion of the Group's presence in the global market will broaden our brand recognition and customer base.

Enhancement of competitiveness

The Group will focus on implementing various cost control measures including but not limited to production reengineering, product redesign, tightened budgetary control and optimizing resources allocation. The Directors believe that the above initiatives can enhance our competitive capabilities in the market.

On the other hand, the Group will streamline its resources in the research and development activities. More focus will be on broadening high margin product portfolio in a timely manner and in cost efficient way.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group was mainly financed by cash from operations, other loans and banking facilities. As at 31 December 2006, the Group's bank loans increased from approximately RMB121.6 million as at 31 December 2005 to approximately RMB139.6 million which are repayable within 1 year and other short-term loans amounted to RMB24 million. These interest bearing borrowings were mainly used for the Group's daily operation and acquisition of fixed assets.

As at 31 December 2006, all of the Group's interest bearing borrowings bear fixed interest rates ranging from 5.22% to 7.61%. Since all the interest bearing borrowings were denominated in RMB, the Directors consider that the exposure to foreign exchange risk was minimal.

As at 31 December 2006, the Group's gearing ratio increased to 96.0% (2005: 51.0%), which is calculated based on total interest bearing borrowings of approximately RMB163.6 million and total shareholders' funds of approximately RMB170.4 million. Cash and cash equivalents decreased from approximately RMB91.2 million to RMB47.9 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2006, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group did not have any material contingent liabilities.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 2006 subject to the deviation 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. Following the resignation of Mr. Zhou Tianyou from the post of chief executive officer of the Company on 14 December 2006, Mr. Xiao Bing held the offices of Chairman and Chief Executive Officer of the Company since then. The Board is in the process of identifying a suitable candidate to fill the role of chief executive officer.

Audit Committee

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The Audit Committee, 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 relating to financial reporting, internal control, audit, 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 the operating risks faced by the Group. The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2006.

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

Xi'an, the PRC, 9 March 2007

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), 孫文國先生 (Mr. Sun Wen guo), 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.