



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)



Xi'an Haitian
Antenna Technologies

third quarterly report 10

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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.

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This report, 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 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, the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

* For identification purpose only

HIGHLIGHTS

- The Group's unaudited turnover for the nine months ended 30 September 2010 was RMB40.2 million, representing a decrease of 72% when compared with that of the corresponding period in the year 2009.
- The Group's unaudited loss for the nine months ended 30 September 2010 was RMB38.6 million, and the Group recorded a loss of RMB9.4 million for the corresponding period in the year 2009.
- The Board does not recommend the payment of a dividend for the three months ended 30 September 2010 (2009: nil).

CONSOLIDATED RESULT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

The board of directors of the Company (the "Board") hereby submits the unaudited operating results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 30 September 2010, together with the unaudited comparative figures for the corresponding period in the year 2009 as follows:

Unaudited Consolidated Statement of Comprehensive Income

	Notes	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	3	20,623	67,730	40,201	143,089
Cost of sales		(14,637)	(51,864)	(29,478)	(105,718)
Gross profit		5,986	15,866	10,723	37,371
Other revenue		337	3,226	848	7,244
Distribution costs		(3,160)	(5,544)	(12,580)	(16,175)
Administrative expenses		(8,723)	(9,763)	(31,101)	(30,655)
Finance costs		(1,920)	(1,960)	(6,504)	(6,648)
Profit/(loss) before tax		(7,480)	1,825	(38,614)	(8,863)
Income tax expense	4	–	(463)	–	(566)
Profit/(loss) for the period and total comprehensive income/(expenses) for the period		(7,480)	1,362	(38,614)	(9,429)
Earning/(loss) per share					
– Basic (in RMB cents)	6	(1.2)	0.2	(6.0)	(1.5)

Notes to the Unaudited Consolidated Financial Results

For the nine months ended 30 September 2010

1. BASIS OF PREPARATION

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

The Company and its subsidiaries (the "Group") are principally engaged in research and development, manufacture and sale of base station antenna and related products.

This unaudited consolidated financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, 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 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 and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2009.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Turnover breakdown by nature of revenue:

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover				
Sales of antennas and related products	9,498	55,450	21,325	118,525
Service income	11,125	12,280	18,876	24,564
	20,623	67,730	40,201	143,089

3. TURNOVER *(continued)*

Turnover breakdown by geographical locations:

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2010 RMB'000	2009 <i>RMB'000</i>	2010 RMB'000	2009 <i>RMB'000</i>
The People's Republic of China (the "PRC")	20,593	67,417	39,803	139,814
Overseas	30	313	398	3,275
	20,623	67,730	40,201	143,089

4. INCOME TAX EXPENSE

Under the Law of the People's Republic of China on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Currently, the Company and certain of its subsidiaries established in PRC are approved by the Xi'an Municipal Bureau of Science and Technology as high technology enterprises located in the Xi'an National High-tech Industrial Development Zone, which are subject to EIT at the rate of 15%.

The amount represents provision for EIT on the estimated assessable profits of certain subsidiaries for the three and nine months ended 30 September 2009. Income tax expense for subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant country.

5. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 30 September 2010 (2009: nil).

6. BASIC EARNING/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the unaudited loss for the three months and unaudited loss for the nine months ended 30 September 2010 attributable to owners of the Company of RMB7,480,000 and RMB38,614,000 respectively (unaudited profit for the three months and unaudited loss for the nine months ended 30 September 2009: RMB1,362,000 and RMB9,429,000 respectively) and the weighted average of 647,058,824 (2009: 647,058,824) ordinary shares in issue during the period.

No diluted earning/(loss) per share have been presented as there were no diluting events existed during either period.

7. RESERVES

	Share capital <i>RMB'000</i> <i>(Unaudited)</i>	Share premium <i>RMB'000</i> <i>(Unaudited)</i>	Statutory surplus reserve <i>RMB'000</i> <i>(Unaudited)</i>	Other reserve <i>RMB'000</i> <i>(Unaudited)</i>	Accumulated losses <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
At 1 January 2009	64,706	71,229	16,153	–	(3,602)	148,486
Loss for the period and total comprehensive expenses for the period	–	–	–	–	(9,429)	(9,429)
At 30 September 2009	64,706	71,229	16,153	–	(13,031)	139,057
At 1 January 2010	64,706	71,229	16,153	3,939	(30,122)	125,905
Loss for the period and total comprehensive expenses for the period	–	–	–	–	(38,614)	(38,614)
At 30 September 2010	64,706	71,229	16,153	3,939	(68,736)	87,291

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover

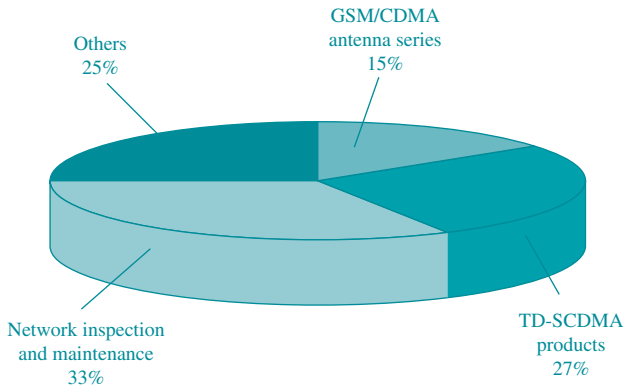
The Group recorded an unaudited turnover of RMB40.2 million for the nine months ended 30 September 2010 (“Review Period”), representing a decrease of 72% compared with the unaudited turnover for the corresponding period in the year 2009.

Our source of income was mainly depended on the PRC market during the Reviewed Period as most of our international markets have deferred or postponed their telecommunication development since the global financial crisis and tightened credit market over the world in previous years.

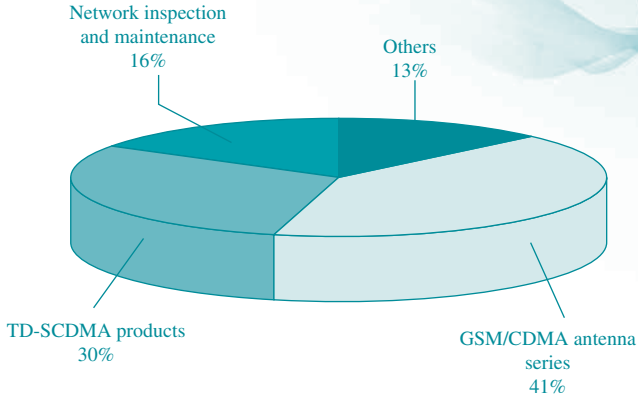
At the same time, the three major telecommunication operators in the PRC devoted to optimise their existing network and construction in the first half of year 2010 and scheduled their bulk purchases after network optimisation. Therefore the sales from them dropped significantly and contributed only 46% to total sales revenue for the Review Period while around 78% to total sales revenue for the corresponding period in the year 2009. Meanwhile, revenues from network inspection and maintenance increased from 16% for the nine months ended 30 September 2009 to 33% of total revenues for the Review Period.

Composite of sales by product line for the nine months ended 30 September 2010, together with the comparative figures for the corresponding period in the year 2009, are provided as follows:

For the nine months ended 30 September 2010 (by product line)

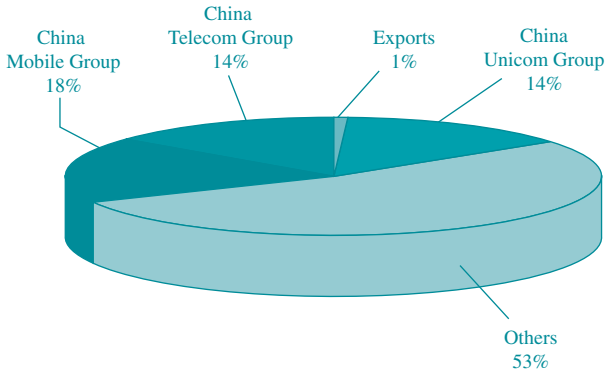


For the nine months ended 30 September 2009 (by product line)

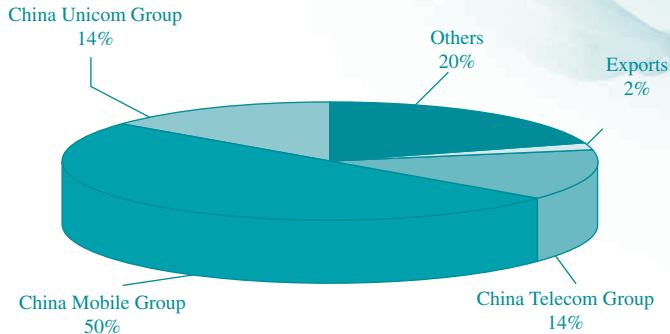


Composite of turnover by major customers for the nine months ended 30 September 2010, together with the comparative figures for the corresponding period in the year 2009, are provided as follows:

For the nine months ended 30 September 2010 (by major customers)



For the nine months ended 30 September 2009 (by major customers)



Legend:

China Telecom Group: 中國電信集團公司 (China Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Telecom Group")

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

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

Gross Profit

During the nine months ended 30 September 2010, unaudited gross profit amounted to RMB10.7 million. Gross profit margin was 26.7%, representing an increase of 2.2% when compared to that of 26.1% for the corresponding period in the year 2009. The profit margin remained stable is because the increase in profitable network inspection and maintenance has compensated the low profit margin derived from GSM/CDMA antenna series during the nine months period this year.

Other Revenue

Other revenue has reduced by 88.3% or RMB6.4 million to RMB0.8 million compared with the corresponding in the year of 2009. The significant decrease was mainly attributable to the decrease of government subsidies for the current period.

Operating Costs and Expenses

Distribution costs for the nine months ended 30 September 2010 amounted to RMB12.6 million, representing a decrease of RMB3.6 million or 22% compared with the corresponding period in the year 2009. The decrease was mainly attributable to the decrease of agency fees in overseas markets for the nine months ended 30 September 2010. The percentage decrease was smaller than the percentage decrease in sales revenue in current period because of additional operating costs and construction costs for newly established sales office.

Administrative expenses have increased by RMB0.4 million or 1.5% to RMB31.1 million compared with the corresponding period in the year 2009. The increase was mainly attributable to the higher operating lease rentals incurred during the Review Period.

During the Review Period, finance costs amounted to RMB6.5 million representing a decrease of 1.5% as compared with the corresponding period in the year 2009 as the average amount of bank borrowings during the nine months period of 2010 was lower than the corresponding period in the year 2009.

Consequently, during the nine months ended 30 September 2010, the Group recorded an unaudited loss of RMB38.6 million, comparing with an unaudited loss of RMB9.4 million for the corresponding period last year. The significant drop in turnover with relatively fixed operating costs and expenses are the main reasons for such unfavourable operating loss.

PROSPECTS

Our turnover is expected to be recovered as product testing for the bulk purchases of the three major telecommunication operators was started in the second half of year 2010. Satisfactory results from the product testing ensured the Group to be one of qualified suppliers for the tender.

In view of international markets, the rapid development for 3G network in India, Vietnam, South American and Africa provide enormous business opportunities to telecommunication operators and their facilities suppliers. The Group has developed a good customer network in India and has started to develop the South American in previous years, the growth in exports is expected in the forthcoming future. Moreover, the Group is one of qualified producers of several well known international telecommunication facilities suppliers, it is believed that the Group can take the chances of global economy recovery.

In order to strengthen the Group marketing and exert its strong technological development on products, the Group has entered the strategic cooperation framework agreement with a listed company in Hong Kong in August 2010. The market share, both in the PRC and the world, is expected to be enlarged and the products are going to be improved.

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

As at 30 September 2010, 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 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
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert	180,000,000 (Note 1)	37.09%	27.82%
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.82%
Mr. Zuo Hong (左宏先生)	Personal	Held by controlled corporation	75,064,706 (Note 2)	15.47%	11.60%

Note 1: The Domestic Shares were held by 西安天安投資有限公司 (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. Professor Xiao Liangyong is the father of and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, Professor Xiao Liangyong and Mr. Xiao Bing were deemed to be interested in the same 180,000,000 Domestic Shares held by Tian An Investment.

Note 2: The Domestic Shares were held by 深圳市匯泰投資發展有限公司 (Shenzhen Huitai Investment Development Company Limited*) ("Shenzhen Huitai"), which is beneficially owned by Mr. Zuo Hong and Mr. Zhang Yinghua in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Mr. Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.

Other than as disclosed above, none of the Directors, Supervisors and chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2010 as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 September 2010, 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 30 September 2010, 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
Tian An Investment	Corporate	Beneficial owner	180,000,000 (Note 1)	37.09%	27.82%
Ms. Yao Wenli (姚文莉女士)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.82%
西安開元控股集團股份有限公司 (Xi'an Kaiyuan Holding Group Company Limited*)	Corporate	Beneficial owner	100,000,000	20.61%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706 (Note 2)	15.47%	11.60%
Mr. Zhang Yinghua (張英華先生)	Personal	Held by controlled corporation	75,064,706 (Note 2)	15.47%	11.60%
西安國際信託有限公司 (Xi'an International Trust Co., Ltd.*)	Corporate	Beneficial owner	70,151,471 (Note 3)	14.46%	10.84%
西安市財政局 (Xi'an Finance Bureau*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.46%	10.84%
上海証大投資管理有限公司 (Shanghai Zendai Investment Management Co., Ltd.*)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.46%	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. The Domestic Shares were held by Shenzhen Huitai, which is beneficially owned by Mr. Zuo Hong and Mr. Zhang Yinghua in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Mr. Zhang Yinghua was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.
3. The Domestic Shares were held by Xi'an International Trust Co., Ltd. ("XITC"). By virtue of the SFO, Xi'an Finance Bureau and Shanghai Zendai Investment Management Co., Ltd., which respectively holds more than one third of voting rights of XITC, were deemed to be interested in the same 70,151,471 Domestic Shares held by XITC.

(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.*)	Corporate	Beneficial owner	54,077,941 (Note 1)	11.14%	8.36%
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%	8.36%

Long positions in H Shares of the Company

Name of substantial 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
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 <i>(Note 2)</i>	8.04%	2.01%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 <i>(Note 2)</i>	6.50%	1.63%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 <i>(Note 2)</i>	5.44%	1.36%

Notes:

1. The Domestic Shares were held by Beijing Holdings Investment Management Co., Ltd. ("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 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 30 September 2010, 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 30 September 2010, the Audit Committee comprised of Mr. Lei Huafeng and Professor Gong Shuxi, independent non-executive Directors, and Mr. Li Wenqi, a non-executive Director. The Group's unaudited consolidated results for the nine months ended 30 September 2010 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the nine months ended 30 September 2010, the Company has complied with the requirements of the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2010, the Company adopted a code of conduct regarding securities transactions by Directors on terms which are same as the required standard of dealings as referred to Rule 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard for dealings and the code of conduct regarding securities transactions by the Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2010.

By order of the Board
Professor Xiao Liangyong
Chairman

Xi'an, the PRC, 12 November 2010

As at the date of this report, the Board comprises Professor Xiao Liangyong (肖良勇教授), Mr. Xiao Bing (肖兵先生) and Mr. Zuo Hong (左宏先生) being executive Directors; Mr. Liu Ruixuan (劉瑞軒先生), Mr. Sun Wenguo (孫文國先生), Mr. Li Wenqi (李文琦先生), Mr. Cong Chunshui (叢春水先生) and Mr. Xie Yiqun (解益群先生) being non-executive Directors; and Professor Gong Shuxi (龔書喜教授), Mr. Lei Huafeng (雷華鋒先生) and Mr. Qiang Wenyu (強文郁先生), being independent non-executive Directors.