



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 with limited liability)

(Stock Code: 8227)

Xi'an  
Haitian  
Antenna Technologies  
2013 First Quarterly Report

## **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 Stock 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.**

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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 Rules Governing the Listing of Securities on the 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, the information contained in this report is accurate and complete in all material respects 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 purposes only

## HIGHLIGHTS

- During the three months ended 31 March 2013, the Group recorded an unaudited loss of RMB2.4 million, comparing to the unaudited profit of RMB1.4 million for the corresponding period in the year of 2012.
- The unaudited revenue for the three months ended 31 March 2013 was RMB6.1 million, representing 83.7% of the unaudited revenue for the corresponding period in the year of 2012.
- The Board does not recommend the payment of a dividend for the three months ended 31 March 2013 (2012: nil).

**CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2013**

The board of Directors of the Company (the “Board”) hereby submits the unaudited operating results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2013, together with the unaudited comparative figures for the corresponding period in the year 2012 as follows:

**Consolidated Statement of Comprehensive Income**

		<b>(Unaudited)</b>	
		<b>For the three months</b>	
		<b>ended 31 March</b>	
	<i>Notes</i>	<b>2013</b>	2012
		<b>RMB'000</b>	RMB'000
Revenue	3	<b>6,060</b>	7,237
Cost of sales		<b>(4,497)</b>	(4,903)
<hr/>			
Gross profit		<b>1,563</b>	2,334
Other revenue		<b>239</b>	3,189
Distribution costs		<b>(644)</b>	(619)
Administrative expenses		<b>(2,413)</b>	(3,548)
Share of result of an associate		<b>(905)</b>	–
Finance costs		<b>(197)</b>	(5)
<hr/>			
(Loss) profit before tax		<b>(2,357)</b>	1,351
Income tax expense	4	–	–
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(Loss) profit and total comprehensive (expense) income for the period		<b>(2,357)</b>	1,351
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(Loss) earnings per share			
– Basic and diluted (in RMB cents)	6	<b>(0.36 cents)</b>	0.21 cents

## Notes to the Consolidated Financial Results

For the three months ended 31 March 2013

### 1. BASIS OF PREPARATION

The Company is a joint stock limited company established in the People's Republic of China (the "PRC") and the H shares of the Company are listed on the GEM of the Stock Exchange.

The Group is principally engaged in research and development, manufacture and sale of base station antennas and related products.

This unaudited consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules.

The Group's books and records are maintained in Renminbi ("RMB"), which is also the functional currency of the Company.

### 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 2012.

### 3. REVENUE

Revenue 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.

Revenue breakdown by nature:

	<b>(Unaudited)</b> <b>For the three months ended</b> <b>31 March</b>	
	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Sales of antennas and related products	<b>1,335</b>	1,083
Service income	<b>4,725</b>	6,154
	<b>6,060</b>	7,237

**3. REVENUE** *(continued)*

Revenue breakdown by geographical location:

	<b>(Unaudited)</b> <b>For the three months ended</b> <b>31 March</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
PRC	<b>6,060</b>	7,187
Others	–	50
	<b>6,060</b>	7,237

**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.

**5. DIVIDENDS**

The Board does not recommend the payment of a dividend for the three months ended 31 March 2013 (2012: nil).

**6. (LOSS) EARNINGS PER SHARE**

The calculation of basic (loss) earnings per share attributable to the owners of the Company is based on the unaudited loss for the three months ended 31 March 2013 attributable to owners of the Company of RMB2,357,000 (2012: unaudited profit of RMB1,351,000) and the weighted average number of 647,058,824 (2012: 647,058,824) ordinary shares in issue during the period.

The diluted (loss) earnings per share is equal to the basic (loss) earnings per share as calculated above as the Company did not have any potential shares outstanding for the both periods.

**7. RESERVES**

	(Unaudited) Share capital RMB'000	(Unaudited) Share premium RMB'000	(Unaudited) Statutory surplus reserve RMB'000	(Unaudited) Other reserve RMB'000	(Unaudited) Accumulated losses RMB'000	(Unaudited) Total RMB'000
At 1 January 2013	64,706	71,229	16,153	15,856	(140,562)	27,382
Loss and total comprehensive expense for the period	-	-	-	-	(2,357)	(2,357)
At 31 March 2013	64,706	71,229	16,153	15,856	(142,919)	25,025
At 1 January 2012	64,706	71,229	16,153	3,939	(152,966)	3,061
Profit and total comprehensive income for the period	-	-	-	-	1,351	1,351
Contribution from shareholders	-	-	-	11,917	-	11,917
At 31 March 2012	64,706	71,229	16,153	15,856	(151,615)	16,329

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Revenue

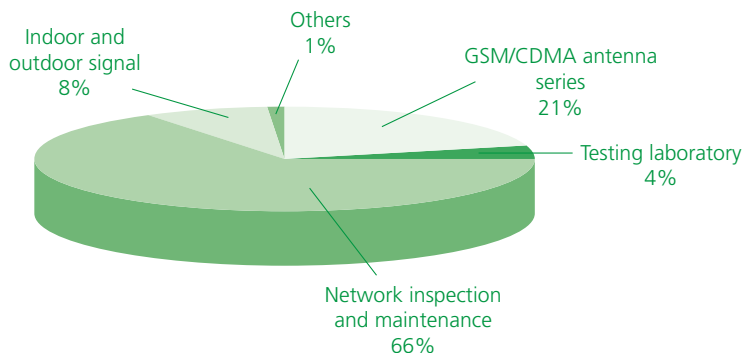
The Group recorded unaudited revenue of approximately RMB6.1 million for the three months ended 31 March 2013, representing 83.7% of the unaudited revenue for the corresponding period in the year of 2012. The decrease was mainly attributable to price competition in antennas and related products and services.

Service income from indoor and outdoor signal and from testing laboratory from approximately RMB1.9 million and RMB1.3 million respectively for the corresponding period in 2012 to approximately RMB0.5 million and RMB0.3 million respectively for the three months ended 31 March 2013. In additions, there was less than 1% revenue from sales of TD-SCDMA products during the period ended 31 March 2013. In respect of network inspection and maintenance services, there was growth in its revenue by approximately 20.8% due to the continuous increasing market demand for network optimisation and inspection services.

During the period, the Group continued to diversify its customer base to local agents and international suppliers for telecommunication facilities in order to expand its market share and establish its brand name. Revenue generated from the three major telecommunication operators was approximately 33%, compared to 32% in the corresponding period in 2012.

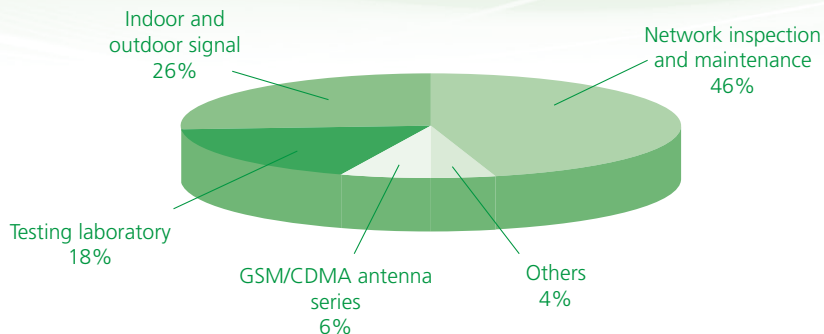
Composite of sales by product line for the three months ended 31 March 2013, together with the comparative figures for the corresponding period in the year 2012, are provided as follows:

#### For the three months ended 31 March 2013 (by product line)



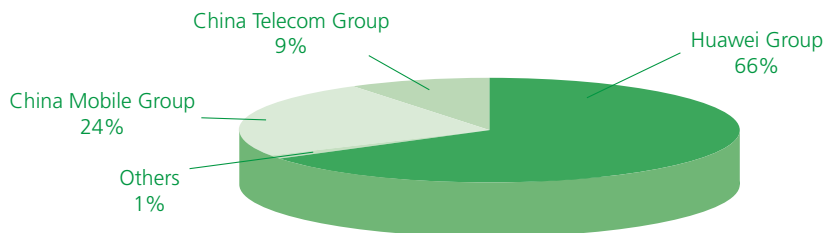


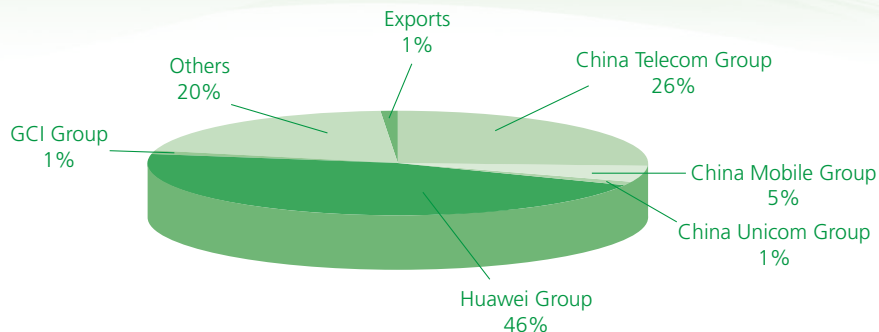
**For the three months ended 31 March 2012 (by product line)**



Composite of turnover by major customers for the three months ended 31 March 2013, together with the comparative figures for the corresponding period in the year 2012, are provided as follows:

**For the three months ended 31 March 2013 (by major customers)**



**For the three months ended 31 March 2012 (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")

Huawei Group: 華為技術有限公司 (Huawei Technologies Co., Ltd) and its subsidiaries and branch companies (collectively "Huawei Group")

GCI Group: 廣州傑賽科技股份有限公司 (GCI Science & Technology Co., Ltd.) and its subsidiaries and branch companies (collectively "GCI Group")

*Gross Profit*

During the three months ended 31 March 2013, an unaudited gross profit of approximately RMB1.6 million was recorded which represented gross profit margin of 25.8%, comparing to the unaudited gross profit margin of 32.3% in the corresponding period in 2012. It was mainly attributable to low production level and price pressure on service income.

### *Other Revenue*

Government grant of approximately RMB0.2 million was recorded during the period without any gain on debts restructuring in respect of waiver of trade and other payables.

### *Operating Costs and Expenses*

Distribution costs for the period ended 31 March 2013 were approximately RMB0.6 million without any significant change comparing to the corresponding period in 2012. The performance evaluation and incentive management approach and strategy of concentration on mainland China market development led to cost maintained at a reasonable level.

Decrease in administrative expenses by approximately RMB1.1 million comparing to the corresponding period in 2012 was the result of continuous effectiveness of cost control strategy over the Group's operations. The decrease is mainly attributable to drop in amortisation expenses of intangible assets during the period ended 31 March 2012.

Approximately RMB0.2 million of finance costs were incurred as there were short-term interest-bearing bank and other borrowings for business operations during the period ended 31 March 2013.

Operating loss of an associate amounted to RMB0.9 million were accounted for during the period due to operating loss at the beginning stage of business.

### *Loss for the period*

Consequently, loss attributable to shareholders of approximately RMB2.4 million was reported by the Group for the period ended 31 March 2013, comparing to profit of approximately RMB1.4 million in the corresponding period in 2012. The turnaround was mainly attributable to the decrease in revenue during the period ended 31 March 2013 and recognition of gain on debts restructuring of approximately RMB2.8 million in the corresponding period in 2012.

## **PROSPECTS**

To cope with the overall sluggishness in mobile communications antenna industry, for 2013, in addition to our ongoing usual reinforcement in the business of communication-related services including TD-LTE antenna products, network optimisation, network inspection and maintenance, the Group has begun the acquisition of related technologies and implementing market expansion in such areas like mobile communication system module trial and testing. The Group anticipates the development in new products and services to be completed that will bring about product structure optimisation, thereby securing new profit growth drivers and enhancing the operating performance of the Group.

## **DIRECTORS', SUPERVISORY COMMITTEE MEMBERS' (THE "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 2013, 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 (the "Domestic Shares")**

<b>Name of Director</b>	<b>Type of interest</b>	<b>Capacity</b>	<b>Number of Domestic Shares held in the Company</b>	<b>Approximate percentage in the total issued Domestic Shares of the Company</b>	<b>Approximate percentage in the total issued share capital of the Company</b>
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%

*Notes:*

1. The Domestic Shares were held by 西安天安投資有限公司 (Xi'an Tian An Investment Co., Ltd. \*) ("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.
2. The Domestic Shares were held by 深圳市匯泰投資發展有限公司 (Shenzhen Huitai Investment Development Co., Ltd. \*) ("Shenzhen Huitai"), which is beneficially owned by Mr. Zuo Hong and Ms. Yi Li in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Ms. Yi Li 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 31 March 2013 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 OF THE COMPANY (THE "H SHARES")**

As at 31 March 2013, 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 2013, 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%
Professor Xiao Liangyong (肖良勇教授)	Personal	Parties acting in concert	180,000,000 (Note 1)	37.09%	27.82%
Ms. Yao Wenli (姚文俐女士)	Personal	Held by controlled corporation	180,000,000 (Note 1)	37.09%	27.82%
西安開元投資集團 股份有限公司 (Xi'an Kaiyuan Investment Group Co., Ltd.*)	Corporate	Beneficial owner	100,000,000	20.61%	15.45%
Shenzhen Huitai	Corporate	Beneficial owner	75,064,706 (Note 2)	15.47%	11.60%
Ms. Yi Li (易麗女士)	Personal	Held by controlled corporation	75,064,706 (Note 2)	15.47%	11.60%
長安國際信託股份 有限公司 (Chang'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. Professor Xiao Liangyong is the father of and a person acting in concert with Mr. Xiao Bing. By virtue of the SFO, each of Professor Xiao Liangyong and 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 Ms. Yi Li in equal share. By virtue of the SFO, each of Mr. Zuo Hong and Ms. Yi Li was deemed to be interested in the same 75,064,706 Domestic Shares held by Shenzhen Huitai.
3. The Domestic Shares were held by Chang'an International Trust Co., Ltd. ("CITC"). 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 CITC, were deemed to be interested in the same 70,151,471 Domestic Shares held by CITC.

**(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*

<b>Name of substantial shareholder</b>	<b>Type of interest</b>	<b>Capacity</b>	<b>Number of H Shares held in the Company</b>	<b>Approximate percentage in the total issued H Shares of the Company</b>	<b>Approximate percentage in the total issued share capital of the Company</b>
Taicom Capital Ltd.	Corporate	Investment manager	13,004,000 (Note 2)	8.04%	2.01%
Carlson Fund Equity Asian Small Cap	Corporate	Investment manager	10,520,000 (Note 2)	6.50%	1.63%
Ms. Song Ying	Personal	Beneficial owner	8,800,000 (Note 2)	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 31 March 2013, 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 2013, the Audit Committee comprised of Mr. Chen Ji 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 2013 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 three months ended 31 March 2013, the Company has complied with the requirements of the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2013, 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 in 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 three months ended 31 March 2013.

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

Xi'an, the PRC, 10 May 2013

*As at the date of this report, the Board comprises Mr. Xiao Bing (肖兵先生) and Mr. Zuo Hong (左宏先生) being executive Directors; Mr. Sun Wenguo (孫文國先生), Mr. Li Wenqi (李文琦先生), Mr. Yan Feng (閻鋒先生) and Mr. Xie Yiqun (解益群先生) being non-executive Directors; and Professor Gong Shuxi (龔書喜教授), Mr. Chen Ji (陳繼先生) and Mr. Qiang Wenyu (強文郁先生) being independent non-executive Directors.*

\* For identification purposes only