



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)

2014 First Quarterly Report

* for identification purposes only

Xi'an
Haitian
Antenna Technologies

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.*

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HIGHLIGHTS

- During the three months ended 31 March 2014, the Group recorded an unaudited loss of RMB2.2 million, comparing to the unaudited loss of RMB2.4 million for the corresponding period in the year of 2013.
- The unaudited revenue for the three months ended 31 March 2014 was RMB1.0 million, representing 16.8% of the unaudited revenue for the corresponding period in the year of 2013.
- The Board does not recommend the payment of a dividend for the three months ended 31 March 2014 (2013: nil).

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

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 2014, together with the unaudited comparative figures for the corresponding period in the year 2013 as follows:

Consolidated Statement of Profit and Loss and Other Comprehensive Income

		(Unaudited) For the three months ended 31 March	
	<i>Notes</i>	2014 RMB'000	2013 RMB'000
Revenue	3	1,017	6,060
Cost of sales		(1,238)	(4,497)
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Gross (loss) profit		(221)	1,563
Other revenue		1,013	239
Distribution costs		(430)	(644)
Administrative expenses		(2,053)	(2,413)
Share of result of an associate		–	(905)
Finance costs		(469)	(197)
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Loss before tax		(2,160)	(2,357)
Income tax expense	4	(40)	–
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Loss and total comprehensive expense for the period		(2,200)	(2,357)
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Loss per share			
– Basic and diluted (in RMB cents)	6	(0.34 cents)	(0.36 cents)

Notes to the Consolidated Financial Results

For the three months ended 31 March 2014

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 2013.

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:

	(Unaudited) For the three months ended 31 March	
	2014 RMB'000	2013 RMB'000
Sales of antennas and related products	683	1,335
Service income	334	4,725
	1,017	6,060

3. REVENUE *(continued)*

Revenue breakdown by geographical location:

	(Unaudited) For the three months ended 31 March	
	2014 RMB'000	2013 RMB'000
PRC	818	6,060
Asia excluding PRC	199	–
	1,017	6,060

4. INCOME TAX EXPENSE

Under the Law of the PRC 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 2014 (2013: nil).

6. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the unaudited loss for the three months ended 31 March 2014 attributable to owners of the Company of RMB2,200,000 (2013: RMB2,357,000) and the weighted average number of 647,058,824 (2013: 647,058,824) ordinary shares in issue during the period.

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

7. RESERVES

	(Unaudited) Share capital	(Unaudited) Share premium	(Unaudited) Statutory surplus reserve	(Unaudited) Other reserve	(Unaudited) Accumulated losses	(Unaudited) Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	64,706	71,229	16,153	15,856	(155,756)	12,188
Loss and total comprehensive expense for the period	-	-	-	-	(2,200)	(2,200)
At 31 March 2014	64,706	71,229	16,153	15,856	(157,956)	9,988
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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

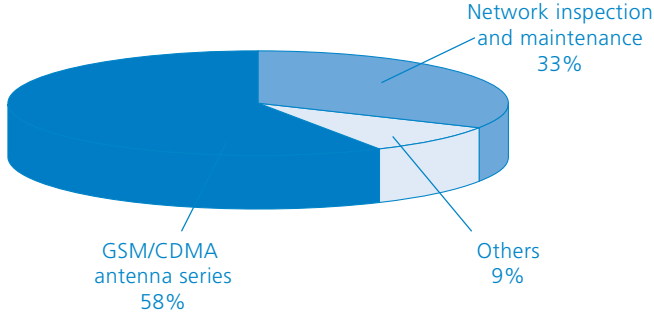
The Group recorded unaudited revenue of approximately RMB1.0 million for the three months ended 31 March 2014, representing 16.8% of the unaudited revenue for the corresponding period in the year of 2013. The significant decrease was mainly attributable to the impact of a suppressed environment in the PRC communication industry as a whole and intensifying price competition in the market of antennas and related products and services.

There was no revenue generated from indoor and outdoor signal services and testing laboratory services during the period. In respect of network inspection and maintenance services, less than RMB0.4 million was recognised during the period, comparing to approximately RMB4.0 million in the corresponding period of 2013. In additions, approximately RMB0.6 million was come from sales of GSM/CDMA antenna series, comparing to approximately RMB1.2 million in 2013.

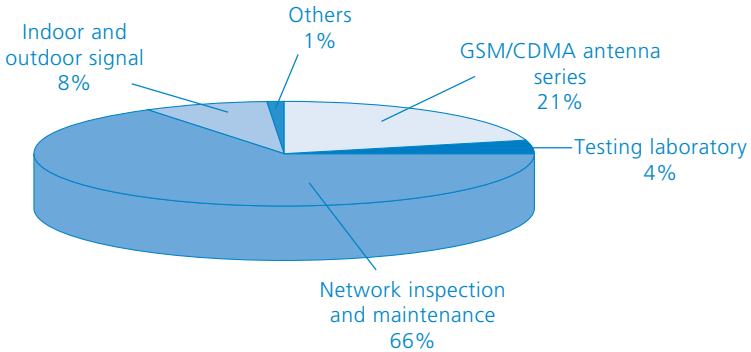
During the period, the Group continued to devote to the markets of smart antenna and ratio-frequency module for market diversification, revenue generated from the three major telecommunication operators was approximately 47%, comparing to 33% in the corresponding period of 2013.

Composite of revenue by product line for the three months ended 31 March 2014, together with the comparative figures for the corresponding period in the year 2013, are provided as follows:

For the three months ended 31 March 2014 (by product line)

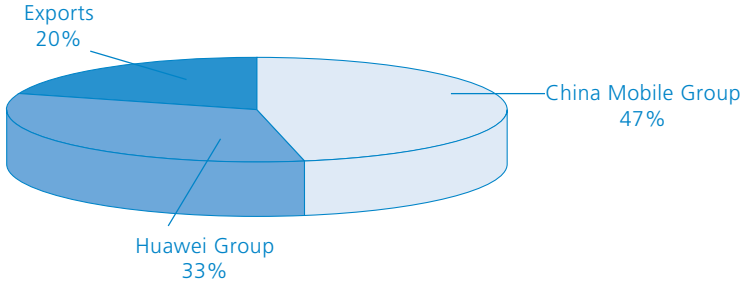


For the three months ended 31 March 2013 (by product line)

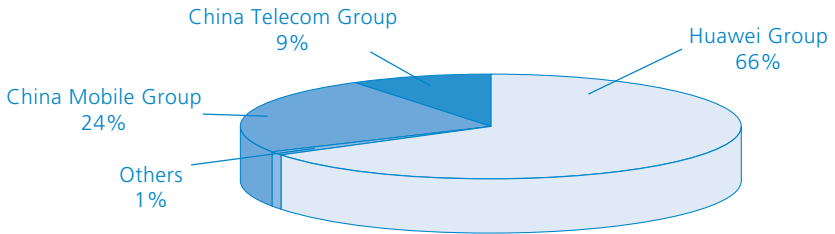


Composite of revenue by major customers for the three months ended 31 March 2014, together with the comparative figures for the corresponding period in the year 2013, are provided as follows:

For the three months ended 31 March 2014 (by major customers)



For the three months ended 31 March 2013 (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 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")

Gross (Loss) Profit

During the three months ended 31 March 2014, an unaudited gross loss of approximately RMB0.2 million was recorded which represented gross loss margin of 21.7%, comparing to the unaudited gross profit margin of 25.8% in the corresponding period of 2013. It was mainly attributable to low production level and recognition of understatement of cost of sales in previous periods.

Other Revenue

Government grant of approximately RMB0.1 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 2014 were approximately RMB0.4 million, representing a decrease of approximately 33.2% from the corresponding period of 2013. The decrease was due to decline in revenue recognised during the period.

Decrease in administrative expenses by approximately RMB0.4 million comparing to the corresponding period of 2013 was the result of further measures on cost control over the Group's operations. The decrease was mainly attributable to drop in staff costs of approximately RMB0.2 million during the period ended 31 March 2014.

Approximately RMB0.3 million of finance costs were incurred as interest expenses during the period ended 31 March 2014 in respect of short-term interest-bearing bank borrowings for business operations.

No operating results of an associate were accounted for during the period due to reclassification of interest in an associate as available-for-sale investment since 31 December 2013.

Loss for the period

Consequently, loss attributable to shareholders of approximately RMB2.2 million was reported by the Group for the period ended 31 March 2014, comparing to loss of approximately RMB2.4 million in the corresponding period of 2013.

PROSPECTS

To cope with the circumstances of the sluggish market of mobile communication in China with substantial fall in product profitability, the Company will reduce expenditure in mobile communication antenna market, and continue to expand the communication services including network optimization and network inspection and maintenance, and facilitate technology buildup and market development in the area of mobile communication system module and related testing and tuning/adjusting businesses.

With a view to fully capitalizing on the convenience and special regulatory policies and preferential taxation regime of the first State pilot free trade zone established by the PRC government in Shanghai, the Company established a joint venture company with Shanghai Xunyu Investment Limited* (上海順鈺投資有限公司) to speed up and expand the development of the Company's import and export businesses. The joint venture company is expected to create better result and profitability for the corporation in near future and thereby lead to qualitative improvement in the operation of the Company.

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 2014, 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")

Name of Director	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Mr. Xiao Bing (肖兵先生)	Personal	Held by controlled corporation	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%

Long positions in H shares of the Company (the "H Shares")

Name of Director	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
Mr. Zhang Jun (張鈞先生)	Personal	Beneficial owner	400,000	0.25%	0.06%

Notes:

1. The Domestic Shares were held by Xi'an Tian An Investment Co., Ltd.* (西安天安投資有限公司) ("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 Shenzhen Huitai Investment Development Co., Ltd.* (深圳市匯泰投資發展有限公司) ("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 2014 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

As at 31 March 2014, 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 2014, 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%
Xi'an Kaiyuan Investment Group Co., Ltd.* (西安開元投資集團股份有限公司)	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%
Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司)	Corporate	Beneficial owner	70,151,471 (Note 3)	14.46%	10.84%
Xi'an Finance Bureau* (西安市財政局)	Corporate	Held by controlled corporation	70,151,471 (Note 3)	14.46%	10.84%

Name of substantial shareholder	Type of interest	Capacity	Number of Domestic Shares held in the Company	Approximate	Approximate
				percentage in the total issued Domestic Shares of the Company	percentage in the total issued share capital of the Company
Shanghai Zendai Investment Management Co., Ltd.* (上海証大投資管理有限公司)	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
Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心)	Corporate	Beneficial owner	54,077,941 (Note 1)	11.14%	8.36%
Beijing Holdings (Group) Limited* (京泰實業(集團)有限公司)	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 (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 2014, 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 2014, the Audit Committee comprised of Mr. Chen Ji and Mr. Zhang Jun, 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 2014 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 2014, 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 2014, 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 2014.

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

Xi'an, the PRC, 9 May 2014

As at the date of this report, the Board comprises Mr. Xiao Bing (肖兵先生) and Mr. Yan Weimin (燕衛民先生) being executive Directors; Mr. Sun Wenguo (孫文國先生), Mr. Li Wenqi (李文琦先生), Mr. Yan Feng (閔鋒先生) and Mr. Xie Yiqun (解益群先生) being non-executive Directors; and Ms. Bao Yujie (鮑玉潔女士), Mr. Chen Ji (陳繼先生) and Mr. Zhang Jun (張鈞先生) being independent non-executive Directors.

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