

I. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation and reorganisation

The predecessor of the Company, Xi'an Haitian Communications, was incorporated as a limited liability company on 13 October 1999 with a registered capital of RMB1,000,000. On 8 September 2000, the registered capital of Xi'an Haitian Communications was increased to RMB50,000,000. With the approval of the relevant PRC authorities, Xi'an Haitian Communications was transformed into the Company on 11 October 2000 with Professor Xiao, Xi'an Jiefang Group, XITIC, BJ Holdings, Shaanxi Silk, Xi'an Zhengheng Investment, Mr. Wu, Mr. Chen and Shaanxi Mant as Promoters. The Company's registered capital at that time was RMB50,000,000 divided into 50,000,000 Domestic Shares of RMB1.00 each. The Domestic Shares were paid up and held by the Promoters as follows:

Name of Shareholder	Number of Domestic Shares of RMB1.00 each	Approximate percentage in the registered capital (%)
Professor Xiao	18,000,000	36.0
Xi'an Jiefang Group	10,000,000	20.0
XITIC	7,400,000	14.8
BJ Holdings	6,000,000	12.0
Shaanxi Silk	5,000,000	10.0
Xi'an Zhengheng Investment	1,500,000	3.0
Mr. Wu	1,000,000	2.0
Mr. Chen	600,000	1.2
Shaanxi Mant	500,000	1.0
Total:	<u>50,000,000</u>	<u>100.0</u>

The Company has established a place of business in Hong Kong at 34/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong and has been registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 12 February 2003. Mr. Tsang, Yu Tit of Flat H, 14/F., Block 14, Yuet Wu Villa, Tuen Mun, New Territories, Hong Kong has been appointed as the agent of the Company for the acceptance of service of process in Hong Kong.

The Company, being a company incorporated in the PRC, has to abide by the laws and regulations of the PRC. The relevant laws and regulations of the PRC and the principal provisions of the Articles are summarised in appendix V to this prospectus.

The establishment of the Company was completed after conducting and obtaining, inter alia, the following procedures and approval documents:

- (1) An application for establishment (關於變更設立西安海天天綫科技股份有限公司的立項申請報告) was made by Xi'an Haitian Communications on 17 May 2000 for the conversion from a limited liability company to a joint stock company in the Company's name;
- (2) An approval (關於同意籌建西安海天天綫科技股份有限公司的函) (陝改函(2000)[40]號) dated 25 May 2000 was granted by the Shaanxi Economic Restructuring Commission (陝西省經濟體制改革委員會) to Xi'an Haitian Communications for its conversion to a joint stock company;

- (3) An application regarding the establishment of the Company (關於變更西安海天天綫科技股份有限公司的申請) together with the necessary documents were submitted by Xi'an Haitian Communications to the Shaanxi Economic Restructuring Commission (陝西省經濟體制改革委員會) on 18 September 2000;
- (4) An approval regarding the establishment of the Company (關於設立西安海天天綫科技股份有限公司的批覆) (陝政函[2000] 222號) was granted by the People's Government of the Shaanxi Province (陝西省人民政府) on 29 September 2000;
- (5) A meeting of the Promoters was held on 8 October 2000 at which, inter alia, the amendments to the then articles of association of the Company (which were subsequently superseded by the Articles) were approved and the first board of Directors and supervisory committee were elected;
- (6) A promoters' agreement dated 17 September 2000 was entered into between Professor Xiao, Xi'an Jiefang Group, XITIC, BJ Holdings, Shaanxi Silk, Xi'an Zhengheng Investment, Mr. Wu, Mr. Chen and Shaanxi Mant whereby the Promoters agreed to establish the Company;
- (7) The Company was granted the business licence on 11 October 2000 by the Xi'an Administration for Industry and Commerce;

The following resolutions were passed by the Shareholders and approval was obtained for the purpose of the Placing:

- (1) An extraordinary meeting of the Company was held on 17 June 2002, at which, inter alia, the following resolutions were passed by the Shareholders:
 - (i) the nominal value of the Shares in the Company be reduced from RMB1.00 to RMB0.10 and that application be made to the CSRC for approval of such sub-division;
 - (ii)
 - (a) the H Shares be offered to overseas investors and the Over-allocation Option be granted to the Placing Underwriters (or their authorised representative(s)) to request the Company to allot and issue, and to request the Vendors to sell, up to an aggregate of 15% of the H Shares initially being offered for subscription and purchase pursuant to this prospectus;
 - (b) application be made by the Company to the relevant authorities in the PRC for the issue of not less than 161,764,706 and not more than 186,029,412 H Shares (including the Sale H Shares and the Placing Shares that may fall to be issued or, as the case may be, sold upon the exercise of the Over-allocation Option);
 - (c) the number of H Shares to be issued and the method of issue of H Shares shall be determined by the actual number of H Shares issued on completion of the Placing and Underwriting Agreement (including the arrangement in respect of the Over-allocation Option) subject to the approval from the relevant authorities in the PRC and the Stock Exchange; and
 - (d) the Board (or the representative(s) appointed by the Board) be authorised to deal with all matters in relation to the listing of the Company; and

- (iii) that the new articles of association proposed and submitted by the Directors for consideration in shareholders' meeting of the Company be adopted, and that authority be granted to the Board (or its representative(s)) to make any necessary amendment to the articles of association;
- (2) An extraordinary meeting of the Company was held on 11 October 2002 at which, inter alia, the following resolutions were passed by the Shareholders:
 - (i) Gu Linqiang, Liu Jiyang and Shi Ping be appointed as Supervisors and together with Hu Hui and Sun Guilian, who were Supervisors appointed by the employees of the Company, to form the board of Supervisors which shall take effect when the Articles become effective; and
 - (ii) amendments made to articles 124 and 125 of the Articles to reflect the change in the members of the board of Supervisors be approved and adopted;
- (3) The annual general meeting of the Company was held on 5 April 2003 at which, inter alia, the following resolutions were passed by the Shareholders:
 - (i) amendments made to the Articles be approved and adopted; and
 - (ii) the proposal in relation to the use of proceeds from the Placing be approved;
- (4) The approval document (證監國合字(2003)13號) was issued on 22 April 2003 by the CSRC, granting the approval to the Company on the issue of H Shares and the application for the listing of H Shares on GEM and the subdivision of the Company's shares of RMB1.00 each into 10 shares of RMB0.10 each; and
- (5) An extraordinary meeting of the Company was held on 18 October 2003 at which, inter alia, the following resolutions were passed by the Shareholders:
 - (i) the Articles of Association be adopted;
 - (ii) conditional upon (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Placing Shares on GEM; (ii) the CSRC approving the issue of H Shares, including the H Shares which may fall to be issued and sold, as the case may be, pursuant to the exercise of the Over-allocation Option (including the Sale H Shares); and (iii) the obligations of the Placing Underwriters under the Placing and Underwriting Agreement becoming unconditional (including, where applicable, any conditions waived by the Placing Underwriters) and that the Placing and Underwriting Agreement not being terminated in accordance with its terms, the Placing be approved and the Directors be authorized to allot and issue the Placing Shares pursuant thereto and that the Over-allocation Option be granted to CPY and/or CPY International pursuant to which if the Placing Price is HK\$0.70 or more, CPY and/or CPY International may request the Company to allot and issue, and the Vendors to sell, up to an aggregate of 186,029,412 H Shares and that the Directors or a committee of the Directors be authorized to issue such number of H Shares (including Sale H Shares) when the Over-allocation Option is exercised;
 - (iii) upon the completion of the Placing, the registered capital of the Company be increased from RMB50,000,000 to not less than RMB64,705,882.40 and that if the Over-allocation Option is exercised in full, the registered capital of the Company be increased to not more than RMB66,911,764.80;
 - (iv) Professor Xiao, Xiao Bing, Guo Weisheng, Luo Maosheng, Mi Yunping, Wang Quanfu, Liu Yongqiang, Li Wenqi, Zhao Tianyou, Gong Shuxi and Deng Yuanming be appointed as members of the Board among whom Zhao Tianyou, Gong Shuxi and Deng Yuanming are independent

non-executive Directors and that the terms of the service contracts of each of the Directors and their respective remuneration be approved;

- (v) Gu Linqiang be appointed as the Supervisor appointed by shareholders; Liu Jiyang and Shi Ping be appointed as independent supervisors; and together with Hu Hui and Sun Guilian, who were Supervisors appointed by the employees of the Company, to form the board of Supervisors which shall take effect when the Articles become effective and that the terms of the service contracts of each of the Supervisors and their respective remuneration be approved; and
- (vi) the terms of the service contract of Mr. Tsang Yu Tit, the Company's company secretary and qualified accountant, and his remuneration be approved.

2. Changes in share capital and shareholding structure

Set out below are changes in the share capital and shareholding structure of the Company since its establishment:

Date	13 October 1999 (Note 3)	7 January 2000 (Note 3)	1 August 2000 (Note 3)	8 September 2000 (Note 3)	11 October 2000 (Note 3)	22 April 2003				
Particulars:	Establishment of Xi'an Haitian Communications (RMB)	Transfer of equity interests (RMB)	Transfer of equity interests (RMB)	Increase of registered capital (RMB)	Conversion of Xi'an Haitian Communications to the Company (RMB) (Note 1)	Each Domestic Share of RMB1.00 be subdivided into 10 Domestic Shares of RMB0.10 each (RMB) (Note 2)	Completion of the Placing Over-allocation Option is not exercised (RMB) (Note 2)	Approximate percentage of shareholding immediately after completion of the Placing Over-allocation Option is not exercised (%)	Completion of the Placing Over-allocation Option is exercised in full (RMB) (Note 2)	Approximate percentage of shareholding immediately after completion of the Placing Over-allocation Option is exercised in full (%)
Shareholding Structure:										
Xiao Yao Wen Li		600,000								
Xiao Bing	600,000									
Professor Xiao Xi'an Jiefang Group	400,000	400,000	360,000	18,000,000	18,000,000	180,000,000	180,000,000	27.8	180,000,000	26.8
XITIC			200,000	10,000,000	10,000,000	100,000,000	100,000,000	15.5	100,000,000	14.8
BJ Holdings			148,000	7,400,000	7,400,000	74,000,000	70,151,471	10.8	69,574,192	10.4
Shaanxi Silk			120,000	6,000,000	6,000,000	60,000,000	54,077,941	8.4	53,189,632	8.1
Xi'an Zhengheng Investment			100,000	5,000,000	5,000,000	50,000,000	45,064,706	7.0	44,324,412	6.7
Mr. Wu			30,000	1,500,000	1,500,000	15,000,000	15,000,000	2.3	15,000,000	2.1
Mr. Chen			20,000	1,000,000	1,000,000	10,000,000	10,000,000	1.5	10,000,000	1.9
Shaanxi Mant H Shares			12,000	600,000	600,000	6,000,000	6,000,000	0.9	6,000,000	0.8
			10,000	500,000	500,000	5,000,000	5,000,000	0.8	5,000,000	0.7
							161,764,706	25	186,029,412	27.7
Total:	1,000,000	1,000,000	1,000,000	50,000,000	50,000,000	500,000,000	647,058,824	100	669,117,648	100

- RMB1.00 per share
- RMB0.10 per share
- The date of completion of the registration at the Xi'an Administration of Industry and Commerce

Save as disclosed above, there has been no change in the share capital of the Company since its establishment.

II. SUBSIDIARIES

As at the Latest Practicable Date, the Company did not have any subsidiaries (as defined under the Companies Ordinance).

III. FURTHER INFORMATION ABOUT THE DIRECTORS, SUPERVISORS STAFF AND MANAGEMENT, AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of service agreements

Each of the Directors and Supervisors has entered into a director's or supervisor's service contract ("Service Contract") with the Company on 18 October 2003 or 19 October 2003. Particulars of these Service Contracts, except as otherwise indicated, are in all material respects identical and are set out below (save for the amount of salary and allowance as mentioned below):

- (i) Each Service Contract is for an initial term of three years commencing on the respective date of signing of the service contract and thereafter, subject to the approval of the shareholders' meeting of the Company. Each Service Contract may be renewed each time for a term of three years;
- (ii) The annual salary and allowance of each of the Directors and Supervisors under the Service Contract and labour contracts ("Labour Contracts"), which are labour contracts required to be entered into under the PRC laws, with the Company are as follows:

	Annual salary and allowance under the Service Contract (RMB)	Annual salary and allowance under Labour Contract (RMB)
Executive Directors		
肖良勇 (Professor Xiao)	–	676,080
肖兵 (Xiao Bing)	–	415,440
郭渭盛 (Guo Weisheng)	–	369,240
Non-executive Directors		
羅茂生 (Luo Maosheng)	6,000	–
米雲平 (Mi Yuoping)	6,000	–
王全福 (Wang Quanfu)	6,000	–
劉永強 (Liu Yongqiang)	6,000	–
李文琦 (Li Wenqi)	6,000	–
Independent non-executive Directors		
周天游 (Zhou Tianyou)	36,000	–
龔書喜 (Gong Shuxi)	36,000	–
鄧元明 (Deng Yuanming)	36,000	–
Supervisors		
胡暉 (Hu Hui)	–	76,440
孫桂蓮 (Sun Guilian)	–	42,480
劉激揚 (Liu Jiyang)	36,000	–
師萍 (Shi Ping)	36,000	–
谷林強 (Gu Linqiang)	6,000	–

- (iii) subject to resolutions passed at shareholders' meeting of the Company, the remuneration of each of the Directors and Supervisors may be changed; and
- (iv) each of the Directors and Supervisors is entitled to out-of-pocket expenses reasonably incurred during his/her term of office.

The aggregate annual remunerations payable to the Directors (including the non-executive Directors and the independent non-executive Directors) and Supervisors under the Service Contracts are RMB138,000 (approximately HK\$130,200) and RMB78,000 (approximately HK\$73,585) respectively for an initial term of three years.

The aggregate remunerations paid to the Directors (including the non-executive Directors and independent non-executive Directors) and Supervisors for the year ended 31 December 2002 are RMB1,542,835 (approximately HK\$1,456,000) and RMB141,126 (approximately HK\$133,000) respectively. The aggregate remunerations paid to the Directors (including the non-executive Directors and independent non-executive Directors) and Supervisors for the five months ended 31 May 2003 are RMB837,900 (approximately HK\$790,500) and RMB71,603 (HK\$67,550) respectively. It is expected that the aggregate remunerations payable to the Directors (including the non-executive Directors and independent non-executive Directors) and Supervisors under the Service Contracts and the Labour Contracts for the year ending 31 December 2003 will be RMB1,598,760 (approximately HK\$1,508,000) (before deducting social insurance contributions, income tax and other deductions) and RMB196,920 (approximately HK\$185,773) (before deducting social insurance contributions, income tax and other deductions) respectively.

2. Disclosure of Directors' and Supervisors' interests in the registered capital of the Company

Immediately following the completion of the Placing and assuming that the Over-allocation Option is not exercised at all, the interest or short position of the Directors, Supervisors or chief executives of the Company in the shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.40 and 5.58 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange:

Directors/Supervisors	Nature of interests	Number of Domestic Shares of RMB0.10 each	Approximate shareholding percentage immediately after the Placing (assuming the Over-allocation Option is not exercised) (%)
Professor Xiao	Personal	180,000,000	27.8

3. Shareholders

So far as the Directors or chief executives of the Company are aware, immediately following the completion of the Placing and assuming that the Over-allocation Option is not exercised at all, the following persons will have an interest or short position in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of the Shareholder	Number of Domestic Shares of RMB0.10 each held	Nature of interests	Approximate percentage of shareholding (immediately after the completion of the Placing but before the exercise of the Over-allocation Option) (%)
Professor Xiao (<i>Note 1</i>)	180,000,000	Personal	27.8
Xi'an Jiefang Group (<i>Note 1</i>)	100,000,000	Beneficial	15.5
XITIC (<i>Note 1</i>)	70,151,471	Beneficial	10.8
Xi'an Finance Bureau (<i>Note 1</i>)	70,151,471 (<i>Note 2</i>)	Corporate	10.8
Shaanxi Baosheng International Investment Company Limited (<i>Note 1</i>)	70,151,471 (<i>Note 2</i>)	Corporate	10.8
BJ Holdings (<i>Note 1</i>)	54,077,941	Beneficial	8.4
Beijing Holdings Limited (<i>Note 1</i>)	54,077,941 (<i>Note 3</i>)	Corporate	8.4
Shaanxi Silk (<i>Note 1</i>)	45,064,706	Beneficial	7.0
Shaanxi Finance Bureau (<i>Note 1</i>)	45,064,706 (<i>Note 4</i>)	Corporate	7.0

Notes:

- For details of these shareholders, please refer to the paragraph headed "Corporate structure" in the "Business" section of this prospectus.
- Each of Xi'an Finance Bureau and Shaanxi Baosheng International Investment Company Limited is deemed to be interested in the 70,151,471 Domestic Shares of RMB0.10 each held by the XITIC as each of Xi'an Finance Bureau and Shaanxi Baosheng International Investment Company Limited is interested in 39.6% and 34.3% respectively of the registered capital of XITIC.
- Beijing Holdings Limited is deemed to be interested in the 54,077,941 Domestic Shares of RMB0.10 each held by BJ Holdings as the entire registered capital of BJ Holdings is invested by Beijing Holdings Limited.
- Shaanxi Finance Bureau is deemed to be interested in the 45,064,706 Domestic Shares of RMB0.10 each held by Shaanxi Silk as the entire registered capital of Shaanxi Silk is invested/held by Shaanxi Finance Bureau.

4. Related party transactions

The related party transactions entered into by the Company during the Track Record Period are set out in note 28 of the paragraph headed “Related party disclosures” in the Accountants’ Report set out in appendix I herein.

5. Disclaimers

Save as disclosed herein,

- (i) none of the Directors, chief executives or Supervisors of the Company has any interest or short positions in the Shares, debentures or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the H Shares are listed, will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange (also applicable in such cases where former Directors are serving as Supervisors);
- (ii) so far as is known to any Director, chief executive or Supervisor of the Company, there is no person who will, immediately following the completion of the Placing, be directly or indirectly interested in any shares, debentures or underlying shares of the Company who would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company;
- (iii) save for such contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation), there are no existing or proposed service contracts between the Company and any of its Director or Supervisor;
- (iv) none of the Directors, Supervisors or any of the experts referred to in the paragraph headed “Consents of Experts” in this appendix is interested in the promotion of the Company or in any assets which have been within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to the Company, or are proposed to be so acquired, disposed of or leased;
- (v) none of the Directors, Supervisors or any of the experts referred to in the paragraph headed “Consents of Experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Company; and
- (vi) none of the experts referred to in the paragraph headed “Consents of Experts” in this appendix has any shareholding in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for any securities in the Company.

IV. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years preceding the date of this prospectus which are or may be material:

- (1) a cooperation development agreement dated 15 October 2002 (“Datang Agreement”) entered into between the Company and Datang Mobile in relation to the cooperative development of intelligent antenna arrays in TD-SCDMA mobile communication system. Under the Datang Agreement, Datang Mobile will be responsible for, among other things, the research and provision of technology and support in relation to the intelligent antenna and its experiment and testing. The Company will be responsible for, among other things, the design, manufacture and tuning of the intelligent antenna and sample products, and the investment, testing and research of anechoic chambers. The cost incurred in relation to remuneration, travel expenses and research and development instrument shall be borne by the party incurring them. The costs arise from the respective responsibilities of the parties as set out in the Datang Agreement shall be borne by the relevant party. Costs incurred during the joint development process shall be borne by the parties after negotiation.

The intellectual property rights arising as a result of the joint development pursuant to the Datang Agreement shall be owned by the parties jointly. The parties to the Datang Agreement and companies in which the Company or Datang Mobile is interested in more than 50% of the shareholdings or voting rights may manufacture, use, sell and import such intellectual property rights without the permission of the other party to the Datang Agreement. However, the parties are not allowed to license the intellectual property rights without the prior written consent of the other party;

- (2) two agreements dated 19 August 2003 and 30 September 2003 respectively entered into between the Company and Shanghai Pudong Development Bank in relation to the assignment of certain trade receivables as security for a facility granted by Shanghai Pudong Development Bank to the Company. The Company shall notify the customers (“Customers”), from whom trade receivables have become the subject of the agreements, to deposit the Company’s trade receivables due from them into a designated account (“Designated Account”) at the Shanghai Pudong Development Bank from which the Shanghai Pudong Development Bank will debit from the Designated Account such amount as shall be required to repay the facility utilised by the Company when due. Under the agreements, the Company is required to pay a handling fee of RMB37,500, which represents 0.125% of the trade receivables. An interest rate of 5.04% per annum is payable on the amount utilized by the Company from the day such amount is granted to the Company to the due day of trade receivables. The interest accrued on the facility utilized by the Company is payable quarterly;
- (3) a supplemental agreement dated 20 August 2003 entered into between the Company and Shanghai Pudong Development Bank which supplements the agreements in (2) above. According to this supplemental agreement, in the event that the Customers deposit the trade receivables due from them into other bank accounts of the Company instead of the Designated Account, the Company shall transfer any such trade receivables, which have been deposited into other accounts of the Company, to the Designated Account. The Company also agreed that such trade receivables received by the Company in other accounts of the Company shall be used to repay the facility utilised by the Company first before they are used for other purposes;
- (4) the Placing and Underwriting Agreement dated 24 October 2003 entered into between, the Company, the executive Directors, the Promoters, the Sponsor, the Lead Manager and the Placing Underwriters;

- (5) the deed of indemnity dated 24 October 2003 given by the Promoters in favour of the Company containing the indemnities in respect of taxation referred to in paragraph V(1) of this appendix;
- (6) the deed of indemnity dated 17 October 2003 given by Professor Xiao in favour of the Company concerning the existing mortgages against the land use right of the Company at No. 36 Gao Xin Liu Road, Xi'an National Hi-tech Industrial Development Zone and the buildings thereon to the extent of RMB100,000 and the establishment of housing fund for the employees of the Company to the extent of RMB450,000; and
- (7) the sponsor agreement dated 24 October 2003 entered into between the Company and the Sponsor pursuant to which the Sponsor has agreed to act as the continuing sponsor of the Company, as required under Chapter 6 of the GEM Listing Rules, for the period from the Listing Date to 31 December 2005.

2. Intellectual property right

(1) Patent rights in PRC



As at the Latest Practicable Date, the Company had submitted applications, or obtained the patent certificates for the following patents:

Item	Patent	Application No.	Date of Application	Patent No.	Patent Certificate No.
1.	寬頻中饋縫隙 耦合套筒偶 極子共線天線陣 (Broad-band Slit-coupling Sleeve Dipole Co-linear Antenna Array with Mid-feeding)	01246953.X	23 August 2001	ZL 01 2 46953.X	533454
2.	超寬頻帶室內 全向吊頂天線 (Super-broad-band Ceiling-mount Antenna)	01246952.1	23 August 2001	ZL 01 2 46952.1	503006
3.	寬頻帶微帶 貼片天線 (Broad-band Micro-strip Patch Antenna)	01247007.4	5 September 2001	ZL 01 2 47007.4	535944
4.	波束下傾寬帶全 向共線天線陣及 實現方法 (Broad-band Co-linear Omnidirectional Antenna Array with Electrical Down Tilt and Ways to Realise It)	01128778.0	5 September 2001	–	–
5.	波束下傾寬帶全 向中饋共線 天線陣 (Broad-band Mid-feeding Co-linear Omnidirectional Antenna Array with Electrical Down Tilt)	01247008.2	5 September 2001	ZL 01 2 47008.2	510835

Item	Patent	Application No.	Date of Application	Patent No.	Patent Certificate No.
6.	H 型偶極子輻射器 (H-type Dipole Radiator)	02224471.9	25 January 2002	ZL 02 2 24471.9	518717
7.	寬頻帶中增益前饋拋物面天線的饋源 (Feeder Source for Broad-band Medium-gain Parabolic Front-fed Antenna)	02224545.6	10 February 2002	ZL 02 2 24545.6	532567
8.	一種前饋拋物面天線的微帶饋源 (A Little Feeder Source for Front-fed Parabolic Antenna)	02224556.1	21 February 2002	ZL 02 2 24556.1	545466
9.	單極化波束賦形基站天線 (Single-Polar Beam Forming Base Station Antenna)	02262022.2	2 August 2002	ZL 02 2 62022.2	562968
10.	雙極化波束賦形基站天線 (Dual-Polar Beam Forming Base Station Antenna)	02262021.4	2 August 2002	ZL 02 2 62021.4	561868
11.	連續可調移相器 (Continuously Adjustable Phase Shifter)	02139334.6	7 August 2002	-	-
12.	天線陣可調移相器 (Adjustable Phase Shifter for Antenna Array)	02261870.8	7 August 2002	ZL 02 2 61870.8	562859
13.	寬頻帶垂直安裝全向天線 (Broad-band Omnidirectional Antenna for Vertical Installation)	02262045.1	12 August 2002	ZL 02 2 62045.1	563292
14.	寬帶雙向天線及雙向天線陣 (Broad-band Dual-directional Antenna and Antenna Array)	02262044.3	12 August 2002	ZL 02 2 62044.3	563179
15.	一種圓極化手機天線 (Circular Polarized Handset Antenna)	03262474.3	16 July 2003	-	-

(2) *Trademarks (and service marks)*(A) *PRC*

As at the Latest Practicable Date, the following trademarks have been registered under the name of the Company in the PRC:



Item	Mark	Trademark Registration No.	Registered Owner	Effective Period	Class (Note)
1.		1666222	Xi'an Haitian Communications	From 14 November 2001 to 13 November 2011	9
2.		1703623	Xi'an Haitian Communications	From 21 January 2002 to 20 January 2012	38

Notes:

- Goods included in class 9 include scientific, nautical, surveying, electric, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.
- Services included in class 38 include telecommunication.

(B) *Hong Kong*

As at the Latest Practicable Date, the Company had registered the following trademark(s) with the Hong Kong Trade Marks Registry:



Item	Mark	Class (Notes)	Registration Date
1.		9	22 October 2002
2.		38	22 October 2002

Notes:

- Goods covered under the Class 9 registration: antennas; electric cables; electronic signals transmitters; electro-dynamic apparatus for the remote control of signals; masts for wireless aerials; navigational instruments; optical communication equipment; image data and audio communication devices, wireless messaging apparatus, communication apparatus and instruments; program control phone exchange facility; phototelegraphy apparatus; nautical instruments and apparatus; parts and fittings for all the aforesaid goods; all included in Class 9.
- Services covered under the Class 38 registration: optical communications; computer aided transmission of messages, voice, sounds and images; data transmission through the medium of cable, satellite, and terrestrial wireline and

wireless distribution systems; lease or rental of message sending apparatus; lease or rental of telecommunication equipment; communications by cellular telephones; communications by computer terminals; electronic mail; information about telecommunication; all included in Class 38.

As at the Latest Practicable Date, the Company had applied for the registration of the following trademarks) with the Hong Kong Trade Marks Registry:

Item	Mark	Class (Notes)	Application Date
1.		9	18 February 2003
2.		38	18 February 2003

Notes:

1. Goods covered under the Class 9 application: antennas; electric cables; electronic signals transmitters; electro-dynamic apparatus for the remote control of signals; masts for wireless aerials; navigational instruments; optical communication equipment; image data and audio communication devices, wireless messaging systems, communication apparatus and instruments; program control phone exchange facility; phototelegraphy apparatus; nautical instruments and apparatus; parts and fittings for all the aforesaid goods; all included in Class 9.
2. Services covered under the Class 38 application: optical communications; computer aided transmission of messages, voice, sounds and images; data transmission through the medium of cable, satellite, and terrestrial wireline and wireless distribution systems; lease or rental of message sending apparatus; lease or rental of telecommunication equipment; communications by cellular telephones; communications by computer terminals; electronic mail; information about telecommunication; all included in Class 38.

(3) *Copyright*

As at the Latest Practicable Date, the Company obtained the following copyright from 中華人民共和國國家版權局 (National Copyright Administration of the PRC):

Copyright	Registration No.	Commencement Date
基站天綫分析軟件 V1.0	2002SR5035	8 December 2001

(4) *Domain Names*

As at the Latest Practicable Date, the Company registered the following domain names with the following registrar:

Domain Name	Registrant	Registration Date	Registrar
xaht.com	The Company	16 August 1999	The Internet Corporation for Assigned Names and Numbers
htantenna.com	The Company	2 July 2001	The Internet Corporation for Assigned Names and Numbers

The contents in the above website do not form part of this prospectus.

V. OTHER INFORMATION**1. Estate duty, tax and other indemnities**

Under the deed of indemnity referred to in item (5) of the subparagraph headed “Summary of material contracts” under the paragraph headed “Further information about the business” of this appendix, each of the Promoters has given indemnities in favour of the Company on a joint and several basis in relation to taxation and any other liabilities which might fall upon the Company in respect of any income, profits or gains earned, accrued or received on or before the Listing Date.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that adequate provision has been made for such taxation in the audited accounts of the Company up to 31 May 2003;
- (b) to the extent such taxation or liability falling on the Company in respect of any act or commission of the Company on or after the Listing Date; and
- (c) for which the Company is primarily liable as a result of transactions entered into in the ordinary course of business after the Listing Date.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company under the PRC law.

2. Litigation

As at the Latest Practicable Date, the Company had not engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

3. Global Co-ordinator, Sponsor and the Lead Manager

CPY has submitted an application on behalf of the Company to the GEM Listing Committee for the listing of, and permission to deal in, the H Shares to be allotted and issued and sold (as the case may be) under the Placing and upon the exercise of the Over-allocation Option. All necessary arrangements have been made for the H Shares to be accepted as eligible securities by CCASS.

CPY is the global co-ordinator and the sponsor and CPY International is the sole bookrunner and lead manager in relation to the Placing.

Pursuant to the GEM Listing Rules, CPY has agreed to provide consultancy service to the Company to guide and assist the Company to conform to the GEM Listing Rules, and the Company has agreed to pay an annual fee in connection to such service.

4. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately RMB0.44 million (approximately HK\$0.42 million) and are payable by the Company.

5. Promoters

The Promoters are Professor Xiao, Xi’an Jiefang Group, XITIC, BJ Holdings, Shaanxi Silk, Xi’an Zhengheng Investment, Mr. Wu, Mr. Chen and Shaanxi Mant. For further details

of the Promoters, please refer to the paragraph headed “Corporate structure” in the section headed “Business” in this prospectus. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given or are proposed to be paid, allotted or given to the Promoters in connection with the Placing or the transactions mentioned in this prospectus.

6. No material adverse change and interruption of business

Save as disclosed in this prospectus and to the best of knowledge of the Directors, there has been no material adverse change in the financial position, state of affairs or future prospects of the Company since 31 May 2003 (being the date of the most recently published audited financial statements of the Company).

Save as disclosed herein, there has not been any interruption in the business of the Company which has had or may have a material adverse effect on the financial position of the Company in the 24 months preceding the date of this prospectus.

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. Taxation liability of holders of H Shares

Dealings in H Shares are subject to Hong Kong stamp duty.

9. Qualifications of experts

Name	Qualification
Core Pacific-Yamaichi Capital Limited	Deemed licensed corporation for types 1, 4, 6 and 9 regulated activities under the SFO
Vigers Hong Kong Ltd.	Professional surveyors and independent valuers
Jingtian & Gongcheng	Qualified PRC lawyers
Deloitte Touche Tohmatsu	Certified public accountants

10. Consents of experts

Each of CPY, Vigers Hong Kong Ltd., Jingtian & Gongcheng and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or valuation certificate and/or the references to their names included herein in the form and context in which it is respectively included.

11. Miscellaneous

Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital (if any) of the Company has been issued or agreed to be issued fully or partly either for cash or for a consideration other than cash;

- (ii) no share or loan capital (if any) of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms (if any) have been granted in connection with the issue or sale of any share or loan capital of the Company;
- (iv) no founder, management or deferred shares in the Company have been issued;
- (v) within the 2 years preceding the date of this prospectus, no commissions (except the commissions to sub-underwriters) have been paid or payable for subscription or agreeing to subscribe or purchase, procure subscription or purchase or agreeing to procure subscription or purchase of any share in the Company; and
- (vi) none of the experts whose names appear in the paragraph headed “Consents of experts” in this appendix is interested in any shares in the Company, nor has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in the Company.

PARTICULARS OF THE VENDORS

The particulars of each of the Vendors are as follows:

1. XITIC is a limited liability company established in the PRC on 28 December 1999 with its address at No. 23 Nan Da Street, Xi’an, the PRC. The registered capital of XITIC is RMB300,000,000. Mr. Liu Yongqiang, who is a non-executive Director, is also the chairman of the board of directors of XITIC. The number of Sale H Shares initially offered for sale by XITIC is 3,848,529 (representing approximately 2.62% of the H Shares initially being offered under the Placing). If the Over-allocation Option is fully exercised, an additional 577,279 Domestic Shares will be converted into H Shares and offer for sale under the Placing by XITIC.
2. BJ Holdings is a state-owned enterprise established in the PRC on 20 April 1999 with its address at Floor 12A, Beijing New World Centre Northern Office Tower, 3B Song Wai Street, Song Wen District, Beijing, the PRC. The registered capital of BJ Holdings is RMB300,000,000. Mr. Mi Yunping, who is a non-executive Director, is also the deputy general manager of BJ Holdings. The number of Sale H Shares initially offered for sale by BJ Holdings is 5,922,059 (representing approximately 4.03% of the H Shares initially being offered under the Placing). If the Over-allocation Option is fully exercised, an additional 888,309 Domestic Shares will be converted into H Shares and offer for sale under the Placing by BJ Holdings.
3. Shaanxi Silk is a state-owned enterprise established in the PRC on 17 October 1987 with its address at No. 2 Zhu Qiao Road, Xi’an, the PRC. The registered capital of Shaanxi Silk is RMB54,576,000. Mr. Li Wenqi, who is a non-executive Director, is also the manager of Planning and Finance Department and the chief accountant of Shaanxi Silk. The number of Sale H Shares initially offered for sale by Shaanxi Silk is 4,935,294 (representing approximately 3.36% of the H Shares initially being offered under the Placing). If the Over-allocation Option is fully exercised, an additional 740,294 Domestic Shares will be converted into H Shares and offer for sale under the Placing by Shaanxi Silk.

Save as disclosed in this prospectus, none of the Directors is interested in the Placing.