
SUMMARY OF THE PROSPECTUS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares.

There are risks associated with any investment in companies listed on GEM. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section before you decide to invest in the Placing Shares.

DESCRIPTION OF THE BUSINESS

The Company is a high-technology enterprise principally engaged in the research and development, manufacture and sale of base station antennas and related products. In connection with such principal business, the Company also provides technical support, system integration and installation services of base station antennas. The Company has been certified by the Science and Technology Bureau of Xi’an Municipality (西安市科學技術局) on 29 May 2000 as a high-technology enterprise. The predecessor of the Company, Xi’an Haitian Communications, was established on 13 October 1999 as a limited liability company in the PRC and was transformed into the Company on 11 October 2000. Based on the feedback from its customers, the Company provides quality products and services to corporate clients comprising PRC mobile communication network operators and mobile communication equipment vendors/system integrators. The Company’s customers include members of China Mobile Group and China Unicom Group, UTStarcom, Lucent Qingdao, Shanghai Bell and Datang Telecom. The feedback from the Company’s customers demonstrates that, firstly, the Company is able to provide a stable supply of antenna products; secondly, its products and services are able to attain the prescribed level of quality; thirdly, the Company provides swift response, proper product warranty and after-sale services; and lastly, it has maintained a close working relationship with the customers. Sales to China Mobile Group, China Unicom Group and UTStarcom amounted to approximately RMB23.0 million, RMB7.3 million and RMB22.3 million respectively, representing approximately 30.8%, 9.8% and 29.7% respectively of the total turnover of the Company for the year ended 31 December 2001; amounted to approximately RMB31.3 million, RMB60.0 million and RMB37.6 million respectively, representing approximately 19.0%, 36.5% and 22.9% respectively of the total turnover of the Company for the year ended 31 December 2002; and amounted to approximately RMB7.0 million, RMB16.6 million and RMB49.0 million respectively, representing approximately 8.8%, 20.9% and 61.8% respectively of the total turnover of the Company for the five months ended 31 May 2003.

The Directors consider that the Company’s workforce comprises a balanced mix of research and development staff with high educational background, experienced production staff in the base station antenna sector and sales and marketing staff familiar with the mobile communication industry. As at the Latest Practicable Date, the Company employed 535 staff, of which 149 were research and development staff. Among such 149 research and development staff, over 80% of them are university graduates or possess higher academic qualifications.

STRATEGIC ALLIANCE AND MEMBERSHIP IN INTERNATIONAL ORGANISATION

In October 2002, the Company formed a strategic alliance with Datang Mobile (an enterprise which is in possession of the core technology for TD-SCDMA development and is proposed to be engaged in the provision of 3G mobile communication equipment in the PRC) through an agreement to jointly develop intelligent antenna arrays in TD-SCDMA mobile communication system. Currently, the Company is a member of the PHS MoU Group and the Directors consider that membership in the PHS MoU Group will facilitate the research and development and sale of the PHS base station antenna products of the Company by obtaining the up-to-date information on technical development and market information of PHS products. For further details, please refer to the paragraph headed “Strategic alliance and membership in international organisation” in the section headed “Business” in this prospectus.

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OVERALL BUSINESS OBJECTIVE AND STRATEGIES

The Company aims to become a leading provider of base station antennas and related products in the PRC and a business partner for foreign mobile communication equipment vendors/system integrators.

The Company specialises in the production of base station antennas and related products, including, among others, indoor distribution system series and active RF devices. In October 1999, Professor Xiao led a group of retired experts and technicians and developed base station antennas. Two advanced proprietary technologies, namely, WLL/PHS base station antenna series and the GSM/CDMA base station antenna series, were developed and certified as a scientific technology achievement by the Science and Technology Committee of Shaanxi Province (陝西省科學技術委員會) in August 2000. The Directors believe that the Company, with its research capability, is able to develop products equipped with advanced mobile communication technology. As at the Latest Practicable Date, the Company had 6 sales contact points in the PRC which covered the regions of Beijing, Hangzhou of Zhejiang, Nanjing of Jiangsu, Wuhan of Hubei, Fuzhou of Fujian and Xi'an of Shaanxi. The Company plans to establish new sales contact points in the PRC, Hong Kong and Russia during the Forward Looking Period. By expanding the Company's geographic coverage in the PRC and broadening its product range, the Directors believe that the Company will be able to better serve mobile communication network operators and leading mobile communication equipment vendors/system integrators in the PRC and expand its market share through the efficient provision of quality products to meet their demand. Furthermore, the Company aims to expand its overseas sales by establishing strategic partnerships with major foreign mobile communication equipment vendors/system integrators. Currently, the overseas markets of the Company include India, Thailand, the United States and Taiwan.

MARKET POTENTIAL

Mobile communication is one of the fastest growing sectors in the PRC communications industry. According to the statistics compiled by ITU and published at its website (www.itu.int) in April 2003, the number of mobile phone service subscribers in the PRC increased from approximately 3.7 million at the end of 1995 to approximately 207 million at the end of 2002, representing a compound annual growth rate of approximately 78.1%.

The MII promulgated the State II Tenth Five-year Plan in May 2001. The State II Tenth Five-year Plan states that the information industry will become one of the State's fundamental and leading industries in the coming years. Accordingly, the Directors anticipate that mobile communication network operators will need to establish more base stations (and hence demand for more base station antennas) as part of their networks, and as a result, the Directors expect that there will be significant potential growth for the market of the Company.

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TRADING RECORD

The following table summarises the Company's audited results for each of the two years ended 31 December 2002 and the five months ended 31 May 2003. The summary should be read in conjunction with the accountants' report set out in appendix I to this prospectus.

	For the year ended 31 December		For the five months ended 31 May
	2001	2002	2003
	RMB	RMB	RMB
Turnover (<i>Note 1</i>)	74,905,651	164,525,831	79,258,672
Cost of sales	<u>(31,174,702)</u>	<u>(73,091,608)</u>	<u>(40,010,304)</u>
Gross profit	43,730,949	91,434,223	39,248,368
Other operating income	159,362	2,120,260	462,948
Distribution costs	(9,659,559)	(17,974,095)	(11,330,755)
Administrative expenses	(6,976,440)	(11,897,950)	(7,583,129)
Other operating expenses (<i>Note 2</i>)	<u>(6,967,389)</u>	<u>(15,095,329)</u>	<u>(7,232,455)</u>
Profit from operations	20,286,923	48,587,109	13,564,977
Finance costs	<u>(671,329)</u>	<u>(4,025,294)</u>	<u>(2,403,029)</u>
Profit before taxation	19,615,594	44,561,815	11,161,948
Taxation (<i>Note 3</i>)	<u>–</u>	<u>(8,168,467)</u>	<u>(2,661,209)</u>
Net profit for the year/period	<u><u>19,615,594</u></u>	<u><u>36,393,348</u></u>	<u><u>8,500,739</u></u>
Dividend	<u>–</u>	<u>15,000,000</u>	<u>–</u>
Earnings per share, basic (<i>Note 4</i>)	<u><u>RMB0.039</u></u>	<u><u>RMB0.073</u></u>	<u><u>RMB0.017</u></u>

Notes:

1. Turnover represents the amounts received and receivable for goods sold exclusive of value added taxes, less returns and allowances to third parties during the year.

The following is a table showing the turnover breakdown by the Company's product lines:

<i>(in RMB million)</i>	For the year ended 31 December				For the five months ended 31 May	
	2001	%	2002	%	2003	%
	WLL/PHS base station antenna series	28.4	37.9	47.4	28.8	51.7
GSM/CDMA antenna series	41.2	55.0	93.7	56.9	21.3	26.8
Indoor distribution system series	–	0.0	21.5	13.1	4.6	5.8
Others (<i>Note</i>)	5.3	7.1	1.9	1.2	1.7	2.2
Total	<u><u>74.9</u></u>	<u><u>100.0</u></u>	<u><u>164.5</u></u>	<u><u>100.0</u></u>	<u><u>79.3</u></u>	<u><u>100.0</u></u>

Note: Sales grouped under "Others" represent sales of antenna products which were specifically produced for certain low volume orders such as 450MHz Yagi antenna. The sales made under this category are non-recurring in nature because those products are tailor-made according to the specific requests from the customer. Hence, sales made under this category fluctuated significantly during the Track Record Period.

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The following is a table showing the gross profit margin analysis of the Company by product lines:

Gross profit margin

	For the year ended 31 December		For the five months ended 31 May
	2001	2002	2003
WLL/PHS base station antenna series (<i>Note 1.1</i>)	70.8%	60.3%	48.7%
GSM/CDMA antenna series (<i>Note 1.2</i>)	48.6%	53.0%	50.9%
Indoor distribution system series (<i>Note 1.3</i>)	–	60.1%	51.8%
Others (<i>Note 1.4</i>)	67.6%	11.6%	50.3%
Total	58.4%	55.6%	49.5%

Notes:

(1.1) In 2002, in respect of WLL/PHS base station antenna series, the Company was operating under a competitive environment and lowered the prices charged to its customers by 8% to 15% on average. Accordingly, the gross profit margin decreased. For the five months ended 31 May 2003, because of intensifying competition, the Company further lowered the selling price by 5% to 21%. As the result, the gross profit margin decreased further.

(1.2) In 2002, the gross profit margin of GSM/CDMA antenna series increased due to a higher price charged on the upgraded models with some new customers. For the five months ended 31 May 2003, there were not many new or upgraded models sold and the gross profit margin was stable, in comparison with that for the year 2002.

(1.3) Gross profit margin for the indoor distribution system series was lower for the five months ended 31 May 2003 compared with that for the whole year of 2002 because the certification of completion for the installation of indoor distribution systems was delayed due to the outbreak of SARS in the PRC in the first few months of 2003. Sales of indoor distribution system are on contract basis and usually involve installation works which normally last for less than one year. On average, an indoor distribution system project lasts for approximately six months. Costs for installation of indoor distribution systems mainly consist of staff expenses in relation to installation works, material costs and subcontracting fee. The relevant direct costs, such as sub-contracting fee, cost of materials for the installation projects are charged to cost of sales at the time when the revenue is recognised, in accordance with the matching principle. However, indirect costs such as the salaries paid to the maintenance team and depreciation of equipment, as they are fixed costs and are not directly associated with each separate contract, are charged to the income statement when incurred. Though some of the installation projects have been completed, certification of completion could not be finalised due to the implementation of quarantine measures as a result of the outbreak of SARS. Therefore, those indirect costs have been expensed to the income statement while related revenue has not been recognised. Accordingly, gross profit margin for indoor distribution system was lower.

However, sales of WLL/PHS and GSM/CDMA base station antennas have not been severely affected as such sales would only involve delivery of physical goods. If, for any reasons, such as the outbreak of SARS, such antennas could not be delivered to customers, sales would not be recognised and cost of goods would be recorded as inventory. Therefore, gross profit margins for the Company's sales of WLL/PHS and GSM/CDMA base station antennas were not significantly affected by SARS.

(1.4) Sales grouped under "Others" represent sales of antenna products which were specifically produced for certain low volume orders such as 450 MHz Yagi antenna. As the selling prices of "Others" antenna and related products are negotiated with the customers on a case-by-case basis in accordance with specific customer's requirements, gross profit margin for "Others" antenna and related products fluctuates significantly.

2. Other operating expenses

	For the year ended 31 December		For the five months ended 31 May
	2001	2002	2003
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Allowance for doubtful debts	694,398	4,252,215	1,696,472
Amortisation of technological know-how	1,000,000	1,000,000	416,667
Deposits for acquisition of materials written off	–	126,220	–
Loss on disposal of property, plant and equipment	–	626,465	18,455
Research and development costs	5,272,991	9,090,429	5,100,861
	<u>6,967,389</u>	<u>15,095,329</u>	<u>7,232,455</u>

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3. This amount represents provision for PRC corporate income tax on the Company's estimated assessable profit for the year/period.

The charge for the year/period can be reconciled to the profit as shown in the income statements as follows:

	For the year ended 31 December 2001		For the year ended 31 December 2002		For the five months ended 31 May 2003	
	RMB	%	RMB	%	RMB	%
Profit before taxation	<u>19,615,594</u>		<u>44,561,815</u>		<u>11,161,948</u>	
Tax at the domestic income tax rate of 15%	2,942,339	15	6,684,272	15	1,674,292	15
Tax effect of expenses that are not deductible in determining taxable profit	-	-	2,986,833	6.7	1,959,253	17.5
Tax effect on additional tax allowance in respect of domestic acquired machineries	-	-	(832,719)	(1.9)	(566,039)	(5.1)
Tax effect on additional tax allowance in respect of the research and development costs	-	-	(669,919)	(1.5)	(398,047)	(3.5)
Tax effect on additional tax allowance in respect of the government subsidy for export sales	-	-	-	-	(8,250)	(0.1)
Tax effect on tax holiday	<u>(2,942,339)</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax expense and effective tax rate	<u>-</u>	<u>-</u>	<u>8,168,467</u>	<u>18.3</u>	<u>2,661,209</u>	<u>23.8</u>

The Company is regarded by the Xi'an Municipal Bureau of Science and Technology as a high technology enterprise located at the Xi'an National Hi-tech Industrial Development Zone. Pursuant to relevant laws and regulations in PRC, the Company is exempted from income tax for the two years starting from their first production year followed by an income tax rate of 15% in the remaining years of operation. Therefore, the Company was exempted from income tax for the first two years since its production commencing in 2000 and subject to an income tax rate of 15% thereafter.

The increase in effective tax rate for the five months ended 31 May 2003 is mainly attributable to the increase in salaries and bonus payment. As such payment exceeded the maximum amount allowable for deduction, non-deductible salary expenses increased and as a result, a higher effective tax rate was recorded.

4. The calculation of the basic earnings per share for the relevant year/period is based on the profit for the relevant year/period and on the basis of 500,000,000 Shares in issue as at the date of this prospectus and assuming that the sub-division of Shares had taken place at the beginning of the Track Record Period.

PRINCIPAL STRENGTHS OF THE COMPANY

Since its establishment in October 1999, the Company has undergone rapid development with turnover for each of the two years ended 31 December 2002 and the five months ended 31 May 2003 amounted to approximately RMB74.9 million, RMB164.5 million and RMB79.3 million respectively. The Directors believe that in 2001, the Company was the leading domestic manufacturer of base station antennas based on a report compiled by Winfor Consulting. Since 2001, the Company, as one of the suppliers, has been supplying base station antenna products to the members of China Mobile Group and China Unicom Group, which are currently the two major licensed mobile communication network operators in the PRC. For each of the two years ended 31 December 2002 and the five months ended 31 May 2003, sales to China Mobile Group amounted to approximately RMB23.0 million, RMB31.3 million and RMB7.0 million respectively and sales to China Unicom Group amounted to approximately RMB7.3 million, RMB60.0 million and RMB16.6 million respectively. According to the "2002 Analysis Report on the PRC Mobile Telecommunication

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Equipment Market” (2002 年中國移動設備市場分析報告) compiled by Winfor Consulting, the Company ranked fourth in the market for base station antennas in the PRC in 2001, following three foreign or foreign-invested mobile communication equipment vendors/system integrators.

The Directors believe that the Company’s principal strengths are as follows:

- Professional and key management staff has more than 10 years’ experience in researching and developing base station antennas and related products and solving related technical problems.
- Advanced production facilities and test instruments, including 29 vector network analysers imported from the United States, 4 passive intermodulation distortion analysers and 22 anechoic chambers.
- Strong research and development capability in terms of developing new applications of the existing technology and enhancement of the existing products.
- Pioneer in the base station antenna sector of PRC mobile communication industry.
- State policy for encouraging local mobile communication industry.

BRIEF HISTORY AND DEVELOPMENT

Xi’an Haitian Communications, the predecessor of the Company, was established in October 1999 as a limited liability company. With the approval of Shaanxi Provincial Government, Xi’an Haitian Communications was transformed into the Company in October 2000.

Following the issue of the Technical Specifications of Base Station on 24 May 2000 by the MII, the Company adopted a strategy of developing GSM/CDMA antennas and expanding its product mix with a view to reducing its reliance on WLL/PHS base station antennas series. For the year ended 31 December 2001, the sales of WLL/PHS base station antenna series and GSM/CDMA antenna series amounted to approximately RMB28.4 million and approximately RMB41.2 million, respectively, representing approximately 37.9% and approximately 55.0% of the turnover of the Company in that year. In the same year, the Company achieved a turnover of approximately RMB74.9 million and a net profit after taxation of approximately RMB19.6 million.

In early 2002, the Company expanded its business to include the provision of the indoor distribution system in respect of network optimisation. In addition, the Company has commenced the development of intelligent antennas, which is expected to expedite the development of 3G technology. The Company’s products were also exported to other countries and/or regions such as Taiwan, Thailand and India. For the year ended 31 December 2002, the turnover of the Company was approximately RMB164.5 million and the net profit after taxation was approximately RMB36.4 million.

In the five months ended 31 May 2003, the sales of WLL/PHS base station antenna series increased as a result of the expansion of PHS networks in regions such as Guangdong, Hebei and Beijing and the Company’s adoption of a strategy of lowering the selling price of the product line by a range of 5% to 21%. Sales of WLL/PHS base station antenna series for the five months ended 31 May 2003 amounted to approximately RMB51.7 million, compared with approximately RMB28.4 million and RMB47.4 million respectively for each of the two years ended 31 December 2002. For the five months ended 31 May 2003, the turnover of the Company was approximately RMB79.3 million and the net profit after taxation was approximately RMB8.5 million.

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CORPORATE STRUCTURE AND RESTRICTION ON SALE OF SHARES

The following table illustrates the respective shareholdings of the Initial Management Shareholders upon completion of the Placing (assuming the Over-allocation Option is not exercised at all):

Initial Management Shareholder <i>(Note 3)</i>	Number of Shares held immediately after the completion of the Placing but before the exercise of the Over-allocation Option	Approximate percentage of shareholding in the registered capital of the Company immediately after the completion of the Placing but before the exercise of the Over-allocation Option (%) <i>(Note 1)</i>	Moratorium period imposed by the GEM Listing Rules from the Listing Date <i>(Note 2)</i>	Acquisition cost per Domestic Share of RMB0.10 each (RMB) <i>(Note 4)</i>	Date(s) of acquisition
Professor Xiao	180,000,000	27.8	12 months	0.100	18 September 1999 and 3 August 2000
Xi'an Jiefang Group	100,000,000	15.5	12 months	0.146	3 July 2000 and 3 August 2000
XITIC	70,151,471	10.8	12 months	0.155	3 July 2000 27 July 2000 and 3 August 2000
BJ Holdings	54,077,941	8.4	12 months	0.170	3 July 2000 21 July 2000 and 3 August 2000
Shaanxi Silk	45,064,706	7.0	12 months	0.155	3 July 2000 6 July 2000 and 3 August 2000
Xi'an Zhengheng Investment	15,000,000	2.3	12 months	0.155	3 July 2000 27 July 2000 and 3 August 2000
Mr. Wu	10,000,000	1.5	12 months	0.160	3 July 2000 27 July 2000 and 3 August 2000
Mr. Chen	6,000,000	0.9	6 months	0.155	3 July 2000 6 July 2000 and 3 August 2000
Shaanxi Mant	5,000,000	0.8	6 months	0.155	3 July 2000 27 July 2000 and 3 August 2000
Subtotal:	485,294,118	75.0			
Public Shareholders	161,764,706	25.0			
Total	<u>647,058,824</u>	<u>100.0</u>			

Notes:

- If the Over-allocation Option is exercised in full, the Company will be required to issue up to an additional 22,058,824 New H Shares and the Vendors will be required to sell up to an aggregate of 2,205,882 additional Sale H Shares such that there will be a total of 186,029,412 H Shares in issue. The equity interests of the Initial Management Shareholders will be diluted accordingly.

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2. Each of Professor Xiao, Xi'an Jiefang Group, XITIC, BJ Holdings, Shaanxi Silk, Xi'an Zhengheng Investment and Mr. Wu, being Initial Management Shareholders who/which will be interested in more than 1% of the registered capital of the Company as at the Listing Date, is required by Rule 13.16 of the GEM Listing Rules to undertake to the Company and the Stock Exchange that he/it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of his/its direct or indirect interest in his/its Relevant Securities for a period of 12 months from the Listing Date.

Each of Mr. Chen and Shaanxi Mant, being Initial Management Shareholders who/which will be interested in no more than 1% of the registered capital of the Company as at the Listing Date, is required by Rule 13.16 of the GEM Listing Rules to undertake to the Company and the Stock Exchange that he/it will not dispose of (or enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of his/its direct or indirect interest in his/its Relevant Securities for a period of six months from the Listing Date.

Pursuant to Article 147 of the Company Law, shares held by a promoter of a joint stock limited company are not transferable for a period of three years commencing from the date of incorporation of such company. As Xi'an Haitian Communications was transformed into the Company, being a joint stock limited company on 11 October 2000, the Domestic Shares held by the Promoters were not transferable only before 11 October 2003. An application has been made on behalf of the Company for a waiver from strict compliance with Rule 13.16(1) of the GEM Listing Rules in respect of making physical escrow arrangements on the condition that (1) the Initial Management Shareholders have to undertake not to dispose of or pledge their respective Domestic Shares for a period of 12 (or, as the case may be, six) months from the Listing Date; and (2) in the event that the relevant PRC laws and regulations are amended or revoked, the Initial Management Shareholders would respectively have to comply with the escrow arrangement requirements under Rule 13.16(1) of the GEM Listing Rules. Each of the Promoters, who are also Initial Management Shareholders, has undertaken to the Company and the Stock Exchange that he/it will not dispose of (or enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of his/its direct or indirect interest in his/its Relevant Securities for a period of 12 months or six months, as the case may be, from the Listing Date. For details of their non-disposal undertakings, please refer to the above paragraphs in this note 2 and the sub-section headed "Undertakings" in the section headed "Substantial and Initial Management Shareholders" in this prospectus.

3. (a) Professor Xiao is an executive Director. He is also a Promoter and an Initial Management Shareholder. Professor Xiao has undertaken to the Company and the Stock Exchange that he will not dispose of (or enter into any agreement to dispose of) his equity interests in the Company for a period of 12 months from the Listing Date.
- (b) Xi'an Jiefang Group is a joint stock limited company established through the reorganisation of Xi'an Jiefang Department Store on 4 December 1986. On 9 August 1993, it became a listed company with its domestic A shares trading on the Shenzhen Stock Exchange with stock code 000516. It is principally engaged in retailing business. It is a Promoter and an Initial Management Shareholder. As at the Latest Practicable Date, Xi'an Jiefang Group has nominated Luo Maosheng and Wang Quanfu as Directors and Shi Ping as a Supervisor. Save for being a shareholder of the Company and the appointment of two Directors and a Supervisor, Xi'an Jiefang Group is an Independent Third Party. Xi'an Jiefang Group has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in the Company for a period of 12 months from the Listing Date.

As at the Latest Practicable Date, Shi Ping, one of the Supervisors, and Li Zhong Min, one of the shareholders of Shaanxi Mant, are independent directors of Xi'an Jiefang Group.

Based on half-yearly report for the six months ended 30 June 2003 and an announcement issued by Xi'an Jiefang Group on 29 July 2003 and 7 August 2003 respectively, as at 2 August 2003, about 33% of the registered capital in Xi'an Jiefang Group was held by public shareholders. The shareholders who were interested in 5% or more of the registered capital in Xi'an Jiefang Group are as follows:

Name of shareholder	Approximate percentage in the registered capital of Xi'an Jiefang Group (%)
西安高新醫院有限公司 (Xi'an Gao Xin Hospital Co., Ltd.)	23.11
西安市財政局 (Xi'an Finance Bureau)	21.51

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Xi'an Gao Xin Hospital Co., Ltd. is a sino-foreign joint venture established in the PRC on 29 September 2002 with a registered capital of RMB700 million. The shareholders of Xi'an Gao Xin Hospital Co., Ltd are 西安申信風險投資有限公司 (Xi'an Shen Xin Risk Investment Company Limited) and (英屬維爾京群島) 賽博國際有限公司 ((BVI) Success Harbour International Limited), which are interested in 53.71% and 46.29% respectively of its registered capital. The scope of business of Xi'an Gao Xin Hospital Co., Ltd. is the provision of medical treatment to local and foreign patients and the provision of health and related consultancy services. Each of Xi'an Gao Xin Hospital Co., Ltd., Xi'an Shen Xin Risk Investment Company Limited and (BVI) Success Harbour International Limited is an Independent Third Party and is not involved in the management of the Company.

Xi'an Finance Bureau is a PRC government authority empowered by the Xi'an Government to exercise on its behalf, among other matters, the rights and obligations of the Xi'an Government as an investor. Xi'an Finance Bureau is an Independent Third Party. It is not, and has no intention to be, involved in the management of the Company.

- (c) XITIC is a limited liability company established in the PRC on 28 December 1999 with a registered capital of RMB300 million. The scope of business of XITIC includes entrusted operation of capital trust business, entrusted operation of trust business of movable, immovable and other property, fund investment operation in accordance with the laws and regulations of the PRC; fund investment as a founder of a fund management entity; community chest trustee; corporate intermediary businesses such as asset reconstruction, acquisition and merger, corporate finance, financial consultancy; distribution of treasury bonds and corporate bonds as an agent approved by the relevant departments under the State Council; asset management, deployment and disposal as an agent; custody; credit witness, credit inquiry and economic consultancy; allocating its fund resources by way of bank deposit, intra-sector lending, lease finance and investment; providing third party guarantee with its fund resources; intra-sector lending and borrowing; other financial businesses authorised by the PBOC. Based on XITIC's confirmation in April 2003, XITIC's investment in the Company accounts for approximately 11.3% of its total investment portfolio as at 29 April 2003. It is a Promoter and an Initial Management Shareholder. XITIC does not have any business that competes with the Company. None of the shareholders of XITIC has appointed any nominee director or supervisor in the Company. As at the Latest Practicable Date, XITIC has nominated Liu Yongqiang as a Director and Gu Linqiang as a Supervisor. However, Liu Yongqiang and Gu Linqiang are not involved in the day-to-day management and daily operation of the Company. Save for being a shareholder of the Company and the appointment of a Director and a Supervisor, XITIC is an Independent Third Party. XITIC has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in the Company for a period of 12 months from the Listing Date. As at the Latest Practicable Date, the shareholding structure of XITIC was as follows:

Name of shareholder	Approximate percentage in the registered capital of XITIC (%)
西安市財政局 (Xi'an Finance Bureau)	39.6
陝西保升國際投資有限責任公司 (Shaanxi Baosheng International Investment Company Limited)	34.3
陝西鼓風機(集團)有限公司 (Shaanxi Blower (Group) Limited Company)	7.0
西安明威(集團)經濟技術發展有限公司 (Xi'an Mingwei (Group) Economic Technology Development Company Limited)	6.7
陝西百川興業投資有限公司 (Shaanxi Baichuan Xingye Investment Company Limited)	5.0
西安秦驪置業(集團)有限責任公司 (Xi'an Qinli Property (Group) Company Limited)	4.5
西安高新技術產業開發區科技投資服務中心 (Xi'an National Hi-tech Industrial Development Zone Science & Technology Investment Service Centre)	1.7
西安有線電視台 (Xi'an Television Broadcast)	0.7
西安藍溪科技企業(集團)有限責任公司 (Xi'an Lanxi Technology Enterprise (Group) Company Limited)	0.5
Total	100.0

SUMMARY OF THE PROSPECTUS

Xi'an Finance Bureau is a PRC government authority empowered by the Xi'an Government to exercise on its behalf, among other matters, the rights and obligations of the Xi'an Government as an investor. Save for being a shareholder of XITIC, Xi'an Finance Bureau is an Independent Third Party and is not involved in the management of the Company.

Shaanxi Baosheng International Investment Company Limited is a limited liability company established in the PRC on 1 November 1999 with a registered capital of RMB283,060,000. Based on its articles of association adopted during its establishment, its shareholders are 陝西翠興企業集團有限公司 (Shaanxi Zhongxing Enterprise Holdings Company Limited), 陝西龍昌實業開發有限責任公司 (Shaanxi Longchang Industrial Development Company Limited), 陝西百業基礎工程有限公司 (Shaanxi Baiye Foundation Engineering Company Limited), 鄺三紅 (Kuang San Hong), 李肇儀 (Li Zhao Yi) and 潘安生 (Pan An Sheng), which/who are interested in approximately 41.71%, 15.19%, 0.70%, 23.74%, 9.33% and 9.33% respectively of its registered capital. Save for being an indirect shareholder of the Company, each of Kuang San Hong, Li Zhao Yi and Pan An Sheng is an Independent Third Party and is not involved in the management of the Company. Each of Shaanxi Zhongxing Enterprise Holdings Company Limited, Shaanxi Longchang Industrial Development Company Limited, Shaanxi Baiye Foundation Engineering Company Limited, Kuang San Hong, Li Zhao Yi and Pan An Sheng has undertaken to the Company and the Stock Exchange that it/he/she will not dispose of (or enter into any agreement to dispose of) its/his/her equity interests in Shaanxi Baosheng International Investment Company Limited for a period of 12 months from the Listing Date. The scope of business of Shaanxi Baosheng International Investment Company includes the comprehensive real estate development; commodity building sales and related services; interior decoration and renovation; real estate agency; property management; wholesale and retail of building materials and engineering machinery; consultancy services relating to the introduction of capital, projects, technology and management; human resources development; economic information consultancy service; development of high technology; development of scientific and technological investments; analysis of investment environment; feasibility study on investments; market investment consultancy service; sale of non-ferrous metal materials; development of cultural market; the export business of products manufactured by the enterprise and its members and related technology; the import and export business of auxiliary materials, machinery and equipment, instruments and meters, spare parts and related technology required for the production and scientific research of the enterprise's members; and the business of processing supplied materials and "processing arrangement" (三來一補) (which means original engineering manufacture, original material manufacture, original design manufacture and compensation trading). Save for being a shareholder of XITIC, Shaanxi Baosheng International Investment Company Limited is an Independent Third Party and is not involved in the management of the Company. Shaanxi Baosheng International Investment Company Limited has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

Based on its business licence issued in 2002, Shaanxi Zhongxing Enterprise Holdings Company Limited is a limited liability company established in the PRC on 20 August 1997 with a registered capital of RMB249,050,000. Based on its articles of association as amended on 30 July 2002, its shareholders are 鄺勁松 (Kuang Jing Song), 吳海泉 (Wu Hai Quan), 李文峰 (Li Wen Feng), 張桂蘭 (Zhang Gui Lan), 吳玉炯 (Wu Yu Jiong) and Shaanxi Longchang Industrial Development Company Limited who/which are interested in 41.2%, 15%, 13.8%, 13.8%, 3.7% and 12.5% respectively of its registered capital. Save for being an indirect shareholder of the Company, each of Kuang Jing Song, Wu Hai Quan, Li Wen Feng, Zhang Gui Lan and Wu Yu Jiong is an Independent Third Party and is not involved in the management of the Company. Each of Kuang Jing Song, Wu Hai Quan, Li Wen Feng, Zhang Gui Lan, Wu Yu Jiong and Shaanxi Longchang Industrial Development Company Limited has undertaken to the Company and the Stock Exchange that he/she/it will not dispose of (or enter into any agreement to dispose of) his/her/its equity interests in Shaanxi Zhongxing Enterprise Holdings Company Limited for a period of 12 months from the Listing Date. The scope of business of Shaanxi Zhongxing Enterprise Holdings Company Limited includes the development of computer software; property management; interior decoration and renovation; sale of renovation materials, light industrial products, textile products, garments, chemical products (except those under exclusive control), products of hardware and electric appliance; general merchandise, home appliance, electromechanical products (except automobiles), domestic and sundry products, automobile parts and development of new products; market development and operation. Shaanxi Zhongxing Enterprise Holdings Company Limited has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in Shaanxi Baosheng International Investment Company Limited and Shaanxi Baichuan Xingye Investment Company Limited respectively for a period of 12 months from the Listing Date.

SUMMARY OF THE PROSPECTUS

Shaanxi Longchang Industrial Development Company Limited is a limited liability company established in the PRC on 27 June 1997 with a registered capital of RMB60,000,000. Its shareholders are 吳曉音 (Wu Xiao Yin), 劉雋楚 (Liu Juan Chu), 潘安生 (Pan An Sheng) and 韋應娥 (Wei Ying E) who are interested in 53%, 21%, 21% and 5% respectively of its registered capital. Save for being an indirect shareholder of the Company, each of Wu Xiao Yin, Liu Juan Chu, Pan An Sheng and Wei Ying E is an Independent Third Party and is not involved in the management of the Company. Each of Wu Xiao Yin, Liu Juan Chu, Pan An Sheng and Wei Ying E has undertaken to the Company and the Stock Exchange that he/she will not dispose of (or enter into any agreement to dispose of) his/her equity interests in Shaanxi Longchang Industrial Development Company Limited for a period of 12 months from the Listing Date. The scope of business of Shaanxi Longchang Industrial Development Company Limited includes the interior decoration and renovation engineering; real estate agency and consultancy service; development of new technology and market development and operation; wholesale and retail of decoration materials, electromechanical equipment (except automobiles), metallic materials, instrument and meters, products of hardware and electric appliance, general merchandise, chemical products (except those under special restriction by the State), agricultural products and by-products (except grain, cotton and oil); leasing of real estate. Shaanxi Longchang Industrial Development Company Limited has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in Shaanxi Baosheng International Investment Company Limited and Shaanxi Zhongxing Enterprise Holdings Company Limited respectively for a period of 12 months from the Listing Date.

Shaanxi Baiye Foundation Engineering Company Limited is a limited liability company established in the PRC on 10 January 2001 with a registered capital of RMB3,000,000. Its shareholders are 鄺勁松 (Kuang Jin Song), 張建賓 (Zhang Jian Bin), 劉小彬 (Liu Xiao Bin) and 喬東生 (Qiao Dong Sheng) who are interested in 40%, 40%, 10% and 10% respectively of its registered capital. Save for being an indirect shareholder of the Company, each of Kuang Jin Song, Zhang Jian Bin, Liu Xiao Bin and Qiao Dong Sheng is an Independent Third Party and is not involved in the management of the Company. Each of Kuang Jin Song, Zhang Jian Bin, Liu Xiao Bin and Qiao Dong Sheng has undertaken to the Company and the Stock Exchange that he will not dispose of (or enter into any agreement to dispose of) his equity interests in Shaanxi Baiye Foundation Engineering Company Limited for a period of 12 months from the Listing Date. The scope of business of Shaanxi Baiye Foundation Engineering Company Limited includes the implementation of earthwork projects and foundation and infrastructure construction; engineering machinery and equipment; sale of hardware tools (within the above scope of business, those regulated by the laws and regulations shall be operated with relevant licenses.) Shaanxi Baiye Foundation Engineering Company Limited has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in Shaanxi Baosheng International Investment Company Limited for a period of 12 months from the Listing Date.

Shaanxi Blower (Group) Limited Company is a State-owned enterprise established on 13 May 1996 with a registered capital of RMB130 million. The scope of business of Shaanxi Blower (Group) Limited Company is the research and development, manufacture, sale, maintenance and repair and servicing of large compressor, blower, ventilator and turbine; the design, installation, testing, construction and facility installation of common (turbine) machines and stone processing machine; the sale and manufacture of handicraft; the manufacture and sale of cleaning equipment; technical consultancy, services, transfer and training; transportation; catering. Save for being a shareholder of XITIC, Shaanxi Blower (Group) Limited Company is an Independent Third Party and is not involved in the management of the Company. Shaanxi Blower (Group) Limited Company has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

Xi'an Mingwei (Group) Economic Technology Development Company Limited is a limited liability company established in the PRC on 21 October 1997 with a registered capital of RMB100 million. Based on a resolution passed by its shareholders in November 2002 to amend its articles of association, its shareholders are 邵光明 (Shao Guang Ming), 范振君 (Fan Zhen Jun) and 沈季華 (Shen Ji Hua) who are interested in 44.8%, 39.2% and 16% respectively of its registered capital. Save for being an indirect shareholder of the Company, each of Shao Guang Ming, Fan Zhen Jun and Shen Ji Hua is an Independent Third Party and is not involved in the management of the Company. Each of Shao Guang Ming, Fan Zhen Jun and Shen Ji Hua has undertaken to the Company and the Stock Exchange that he/she will not dispose of (or enter into any agreement to dispose of) his/her equity interests in Xi'an Mingwei (Group) Economic Technology Development Company Limited for a period of 12 months from the Listing Date. The scope of business of Xi'an Mingwei (Group) Economic Technology Development Company Limited includes the

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wholesale and retail of automobiles (including sedan), communication facilities (excluding those under specific control), metals and current electricity, mechanical and electrical products, office automation facilities, audio and video instrument, motorcycle, instruments and meters, electronic components, machinery facilities, construction materials, knitting products, general merchandise, metallic materials (excluding those under specific control) and chemical products (excluding those requiring specific licence) and the leasing of office automation facilities and machinery facilities. Save for being a shareholder of XITIC, Xi'an Mingwei (Group) Economic Technology Development Company Limited is an Independent Third Party and is not involved in the management of the Company. Xi'an Mingwei (Group) Economic Technology Development Company Limited has undertaken to the Company and the Stock Exchange that it will not dispose of (nor enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

Based on its business licence issued in 2003, Shaanxi Baichuan Xingye Investment Company Limited is a limited liability company established in the PRC on 25 September 1995 with a registered capital of RMB79,000,000. Based on a resolution passed by its shareholders to amend its articles of association, its shareholders are 陝西眾興企業集團有限公司 (Shaanxi Zhongxing Enterprise Holdings Company Limited), 李元 (Li Yuan), 韋應娥 (Wei Ying E), 劉小彬 (Liu Xiao Bin) and 潘安生 (Pang An Sheng) who are interested in approximately 51%, 12.4%, 6.3%, 19.8% and 10.5% respectively of its registered capital. Save for being an indirect shareholder of the Company, each of Li Yuan, Wei Ying E, Liu Xiao Bin and Pang An Sheng is an Independent Third Party and is not involved in the management of the Company. Each of Shaanxi Zhongxing Enterprise Holdings Company Limited, Li Yuan, Wei Ying E, Liu Xiao Bin and Pang An Sheng has undertaken to the Company and the Stock Exchange that it/he/she will not dispose of (or enter into any agreement to dispose of) its/his/her equity interests in Shaanxi Baichuan Xingye Investment Company Limited for a period of 12 months from the Listing Date. The scope of business of Shaanxi Baichuan Xingye Investment Company Limited includes the development of high and new technology and investment in scientific and technology sectors and projects. Shaanxi Baichuan Xingye Investment Company Limited has voluntarily undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

Based on its business licence issued in 1999, Xi'an Qinli Property (Group) Company Limited is a limited liability company established in the PRC on 30 April 1996 with a registered capital of RMB67 million. Based on a resolution passed by its shareholders in November 2001 to amend its articles of association, its shareholders are 孫志剛 (Sun Zhi Gang), 趙勇 (Zhao Yong), 羅文 (Luo Wen) and 朱德剛 (Zhu De Gang) who are interested in 57%, 19.1%, 13.9% and 10% respectively of its registered capital. Save for being an indirect shareholder of the Company, each of Sun Zhi Gang, Zhao Yong, Luo Wen and Zhu De Gang is an Independent Third Party and is not involved in the management of the Company. Each of Sun Zhi Gang, Zhao Yong, Luo Wen and Zhu De Gang has undertaken to the Company and the Stock Exchange that he will not dispose of (or enter into any agreement to dispose of) his equity interests in Xi'an Qinli Property (Group) Company Limited for a period of 12 months from the Listing Date. The scope of business of Xi'an Qinli Property (Group) Company Limited includes exterior and interior renovation; the wholesale, retail and agency distribution of ordinary machinery, electrical appliance and equipment, general merchandise, metals and current electric appliance, metallic materials, construction materials and decoration materials and the development of property. Save for being a shareholder of XITIC, Xi'an Qinli Property (Group) Company Limited is an Independent Third Party and does not involve in the management of the Company. Xi'an Qinli Property (Group) Company Limited has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

Based on its certificate of institutional entity issued in 2003, Xi'an National Hi-tech Industrial Development Zone Science and Technology Investment Service Centre is an institutional entity (事業法人) established in the PRC in January 1999 with a founding capital of RMB83,787,500. The founding capital of Xi'an National Hi-tech Industrial Development Zone Science and Technology Service Centre is promoted by 西安高新技術產業開發區管理委員會 (Administrative Committee of Xi'an National Hi-tech Industrial Development Zone). The Administrative Committee of Xi'an National Hi-tech Industrial Development Zone has undertaken to the Company and the Stock Exchange that it will not dispose of (nor enter into any agreement to dispose of) any of its equity interests in Xi'an National Hi-tech Industrial Development Zone Science and Technology Investment Service Centre for a period of 12 months from the Listing Date. The scope of business of Xi'an National Hi-tech Industrial Development Zone Science and Technology Investment Service Centre includes the provision of investment and financing services to enterprises in Xi'an National Hi-tech Industrial Development Zone and the provision of guarantee services to

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small and medium sized enterprises in the Xi'an National Hi-tech Industrial Development Zone. Save for being a shareholder of XITIC, Xi'an National Hi-tech Industrial Development Zone Science and Technology Investment Service Centre is an Independent Third Party and is not involved in the management of the Company. Xi'an National Hi-tech Industrial Development Zone Science and Technology Investment Service Centre has voluntarily undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

Based on its business licence issued in 1997, Xi'an Television Broadcast is a State-owned enterprise established in the PRC on 27 March 1997 with a registered capital of RMB3,800,000. The scope of business of Xi'an Television Broadcast includes the design, production and broadcast of television advertisement, design and implementation of cable television projects, the development of new products and the wholesale and retail of cable television equipment. Save for being a shareholder of XITIC, Xi'an Television Broadcast is an Independent Third Party and is not involved in the management of the Company. Xi'an Television Broadcast has voluntarily undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

Based on its business licence issued in 2001, Xi'an Lanxi Technology Enterprise (Group) Company Limited is a limited liability company established in the PRC on 26 March 1995 with a registered capital of RMB65 million. Based on its articles of association, its shareholders are 王武 (Wang Wu), 常春 (Chang Chun), 張秦 (Zhang Qin), 王曉霞 (Wang Xiao Xia), 夏民 (Xia Min), 李康 (Li Kang), 陶三定 (Tao San Ding), 盧宇 (Lu Yu), 陳紹京 (Chen Shao Jing) and 郝樹平 (Hao Shu Ping) who are interested in its registered capital as to approximately 82.92%, 2.48%, 2.15%, 2.0%, 1.85%, 1.72%, 1.72%, 1.72%, 1.72% and 1.72% respectively. Save for being an indirect shareholder of the Company, each of Wang Wu, Chang Chun, Zhang Qin, Wang Xiao Xia, Xia Min, Li Kang, Tao San Ding, Lu Yu, Chen Shao Jing and Hao Shu Ping is an Independent Third Party and is not involved in the management of the Company. Each of Wang Wu, Chang Chun, Zhang Qin, Wang Xiao Xia, Xia Min, Li Kang, Tao San Ding, Lu Yu, Chen Shao Jing and Hao Shu Ping has undertaken to the Company and the Stock Exchange that he/she will not dispose of (or enter into any agreement to dispose of) his/her equity interests in Xi'an Lanxi Technology Enterprise (Group) Company Limited for a period of 12 months from the Listing Date. The scope of business of Xi'an Lanxi Technology Enterprise (Group) Company Limited includes the research and development and sale of computer software and hardware, optomechatronic products and solar power products; the development of nuclear technology; the sale, maintenance and provision of technical consultancy services of computer and instruments and meters; the export business of products and related technology of the company and its members (excluding products restricted from operation or prohibited from export by the State); the import of raw materials, machinery, facilities, instruments and meters, spare parts and related technology required for the production and scientific development for the operation of that company or its members (excluding products restricted from operation or prohibited from import by the State); the processing of the company's imported materials and "processing arrangement" (三來一補) business (which means original engineering manufacture, original material manufacture, original design manufacture and compensation trading); the sale of automobiles (excluding sedan). Save for being a shareholder of XITIC, Xi'an Lanxi Technology Enterprise (Group) Company Limited is an Independent Third Party and is not involved in the management of the Company. Xi'an Lanxi Technology Enterprise (Group) Company Limited has voluntarily undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in XITIC for a period of 12 months from the Listing Date.

- (d) Based on its business licence issued in 2001, BJ Holdings is a State-owned enterprise established in the PRC on 20 April 1999 with a registered capital of RMB300 million and is managed and invested by Beijing Holdings Limited (京泰實業(集團)有限公司). BJ Holdings is principally engaged in investment management, economic information consultancy, storage and management of self-owned real property. It is a Promoter and an Initial Management Shareholder. As at the Latest Practicable Date, BJ Holdings has nominated Mi Yunping as a Director. Save for being a shareholder of the Company and the appointment of a Director, BJ Holdings is an Independent Third Party. Its registered capital is solely owned by Beijing Holdings Limited. BJ Holdings has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in the Company for a period of 12 months from the Listing Date.

Beijing Holdings Limited is a window company incorporated in Hong Kong, the company status of which is approved by the then 對外貿易經濟合作部 (Ministry of Foreign Trade and Economic Cooperation of the PRC), and which is under the auspices of the Beijing People's Government.

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According to the 2002 annual return of Beijing Holdings Limited, the issued capital of Beijing Holdings Limited is HK\$80 million. It is principally engaged in import and export trading, investment, finance, securities and real property.

- (e) Based on its business licence issued in 1995, Shaanxi Silk is a State-owned enterprise established in the PRC on 17 October 1987 with a registered capital of RMB54,576,000 under the auspices of 陝西省對外貿易經濟合作廳 (Shaanxi Foreign Trade and Economic Co-operation Office). It is principally engaged in the import and export business. It is a Promoter and an Initial Management Shareholder. As at the Latest Practicable Date, Shaanxi Silk had nominated Li Wenqi as a Director. Save for being a shareholder of the Company and the appointment of a Director, Shaanxi Silk is an Independent Third Party. Shaanxi Silk has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in the Company for a period of 12 months from the Listing Date.
- (f) Based on its business licence issued in 2000, Xi'an Zhengheng Investment is a limited liability company established in the PRC on 18 July 2000 with a registered capital of RMB3 million. The scope of business of Xi'an Zhengheng Investment includes the provision of consultancy service in relation to enterprise investment project and preparation of feasibility study reports; the provision of corporate finance management consultancy service and devising of marketing strategy for its clients. It is a Promoter and an Initial Management Shareholder. Save for being a shareholder of the Company, Xi'an Zhengheng Investment is an Independent Third Party and is not involved in the management of the Company. Xi'an Zhengheng Investment has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in the Company for a period of 12 months from the Listing Date. Based on its articles of association, holders of the registered capital in Xi'an Zhengheng Investment are set out below:

Name of shareholder	Approximate percentage in the registered capital of Xi'an Zhengheng Investment (%)
雷華鋒 (Lei Hua Feng)	33.4
高惠民 (Gao Hui Min)	33.3
高旭 (Gao Xu)	33.3
	100.0
Total	100.0

Each of Lei Hua Feng, Gao Hui Min and Gao Xu is an Independent Third Party (other than their investment in Xi'an Zhengheng Investment) and is not involved in the management of the Company. Each of Lei Hua Feng, Gao Hui Min and Gao Xu has undertaken to the Company and the Stock Exchange that he/she will not dispose of (or enter into any agreement to dispose of) his/her equity interests in Xi'an Zhengheng Investment for a period of 12 months from the Listing Date. Each of Lei Hua Feng, Gao Hui Min and Gao Xu has no intention to be involved in the management of the Company.

- (g) Mr. Wu is a Promoter and an Initial Management Shareholder. Other than such relationship, he is an Independent Third Party and is not involved in the management nor has held any other position in the Company. Mr. Wu has undertaken to the Company and the Stock Exchange that he will not dispose of (or enter into any agreement to dispose of) his equity interests in the Company for a period of 12 months from the Listing Date. Mr. Wu has no intention to be involved in the management of the Company.
- (h) Mr. Chen is a Promoter and an Initial Management Shareholder. Other than such relationship, he is an Independent Third Party and is not involved in the management nor has held any other position in the Company. Mr. Chen has undertaken to the Company and the Stock Exchange that he will not dispose of (or enter into any agreement to dispose of) his equity interests in the Company for a period of six months from the Listing Date. Mr. Chen has no intention to be involved in the management of the Company.
- (i) Based on its business licence issued in 2000, Shaanxi Mant is a limited liability company established in the PRC on 14 January 2000 with a registered capital of RMB5.6 million. The scope of business of Shaanxi Mant includes the provision of enterprise diagnosis and consultancy service; corporate reengineering and design; enterprise marketing and image planning; financial consultancy service; analysis of investment projects; head-hunting service (valuation and training of human resources); education business (school, college); development and industrialisation of

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high and new technology; intellectual property transfer agency and product sale (the operation of controlled business being subject to the grant of a licence) and communication network business. It is a Promoter and an Initial Management Shareholder. Save for being a shareholder of the Company, Shaanxi Mant is an Independent Third Party and is not involved in the management of the Company. Shaanxi Mant has undertaken to the Company and the Stock Exchange that it will not dispose of (or enter into any agreement to dispose of) its equity interests in the Company for a period of 6 months from the Listing Date. Based on its articles of association, holders of the registered capital of Shaanxi Mant are set out below:

Name of shareholder	Approximate percentage in the registered capital of Shaanxi Mant (%)
李忠民 (Li Zhong Min)	70.0
吴娟 (Wu Juan)	30.0
Total	<u>100.0</u>

According to in Xi'an Jiefang Group's half-yearly report for the six months ended 30 June 2003, Li Zhong Min is an independent non-executive director of Xi'an Jiefang Group.

Each of Li Zhong Min and Wu Juan is an Independent Third Party and is not involved in the management of the Company (other than their investment in Shaanxi Mant). Each of Li Zhong Min and Wu Juan has undertaken to the Company and the Stock Exchange that he/she will not dispose of (or enter into any agreement to dispose of) his/her equity interests in Shaanxi Mant for a period of six months from the Listing Date. Each of Li Zhong Min and Wu Juan has no intention to be involved in the management of the Company.

Note 4: The calculation of the acquisition cost is based on the approximate total consideration paid by each Initial Management Shareholder divided by the number of Domestic Shares held by each of them respectively immediately before the Placing.

SUMMARY OF RISK FACTORS

The Directors consider that there are certain risks involved in the Company's business, which include those set out in the section headed "Risk factors" in this prospectus. These risks can be categorised into (1) risks relating to the Company; (2) risks relating to the industry; (3) risks relating to the PRC; (4) risks relating to certain statements in this prospectus; and (5) risks relating to the Placing. They are summarised as follows:

Risks relating to the Company

- Risk involved in accumulation of trade receivables
- High debt to equity ratio and consequence of realisation of security
- Reliance on major customers
- Risk involved in the pledge of trade receivables
- Risk involved in the discounting of bills of exchange
- Dividend policy
- Reliance on senior management and core technology team
- Seasonal fluctuation
- Intellectual property rights
- Terms of lease agreements

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- Product liability
- Potential tax liabilities
- Electricity supply
- Reliance on suppliers
- Renewal of Network Access Licence
- Reliance on the production facilities in the PRC
- No assurance on achievement of business objectives
- Possible side effects resulting from the usage of mobile phones
- Delayed set up of the Housing Fund
- Environmental liability exposure

Risks relating to the industry

- Competition
- Institutional structure of the mobile communication sector in the PRC
- Product substitution

Risks relating to the PRC

- PRC's admission as a member of the WTO
- Political and economic policies of the PRC
- Currency conversion and foreign exchange
- Impact of fluctuation of Renminbi conversion rate on the value of and dividend payable on H Shares
- Different regulatory framework

Risks relating to certain statements in this prospectus

- Reliability of statistics
- Forward-looking statements contained in this prospectus

Risks relating to the Placing

- The liquidity and market price of the H Shares following the Placing may be volatile

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that listing of the H Shares on GEM will enhance the Company's profile and broaden its capital base for future growth and development. The net proceeds to which the Company is entitled from the issue of New H Shares under the Placing, based on the Placing

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Price of HK\$0.55 per H Share (being the lowest-point of the indicative Placing Price range between HK\$0.55 and HK\$1.15 per H Share) excluding any proceeds from those attributable to the Sale H Shares and the exercise of the Over-allocation Option, are estimated to be approximately HK\$62 million. The Directors intend to apply such net proceeds as follows:

- as to approximately HK\$25 million for research and development of the Company's antenna and related products;

HK\$ million

Development of antenna products	20
Development of repeater and indoor distribution system series	5
	25
	25

- as to approximately HK\$14 million for further empowering of the Company's research and development capabilities by setting up near field/far field antenna testing systems;

HK\$ million

Recruitment and training of additional experts	4
Purchasing additional research and development equipment	10
	14
	14

- as to approximately HK\$5 million for the increase of production capacity by enhancing the 3 existing production lines to improve their efficiency and output and installing 2 additional production lines;

HK\$ million

Enhancing the 3 existing production lines	2.5
Installing 2 additional production lines	2.5
	5.0
	5.0

- as to approximately HK\$5 million for the expansion in sales, distribution and services network coverage;
- as to approximately HK\$3 million for collaborating with business partners and establishing strategic alliances; and
- as to the remaining balance of approximately HK\$10 million as general working capital for daily operation of the Company, such as purchase of raw materials for production.

Should the final Placing Price be determined at a price higher than HK\$0.55 per H Share, the Company will receive additional net proceeds. Should the final Placing Price be determined at HK\$1.15 per H Share, the Company will receive in aggregate net proceeds of approximately HK\$147 million, which represent approximately HK\$85 million more than the net proceeds of approximately HK\$62 million as the Placing Price being set at HK\$0.55 per H Share. The Directors intend to use additional net proceeds raised to finance the Company's future plan for the 12 months ending 31 December 2004 on a proportional basis in accordance with the Company's

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funding requirements. Accordingly, the Directors consider that the business objectives of the Company will not be changed as planned. Based on the net proceeds of approximately HK\$62 million (assuming the Placing Price of HK\$0.55 per Placing Share, being the lowest point of the indicative Placing Price range in this prospectus), the Directors are of the view that the net proceeds are adequate to accomplish all of the business objectives of the Company during the Forward Looking Period. Moreover, with additional proceeds of approximately HK\$85 million, the Company will be able to allocate more resources to implement each item as mentioned in the Business Plan as follows:

- as to approximately HK\$34 million for research and development of the Company's antenna and related products (approximately HK\$17 million), as well as for repeater and indoor distribution system series (approximately HK\$17 million);
- as to approximately HK\$20 million for further empowering of the Company's research and development capabilities by recruitment and training of additional antenna experts (approximately HK\$12 million) as well as by enhancement of the environmental testing centre for product inspection currently under construction (approximately HK\$8 million);
- as to approximately HK\$7 million for the increase of production capacity by installing five additional production lines;
- as to approximately HK\$7 million for the expansion in sales, distribution and services network coverage;
- as to approximately HK\$3 million for collaborating with business partners and establishing strategic alliances; and
- as to the remaining balance of approximately HK\$14 million as general working capital, of which as to approximately HK\$10 million will be applied for the repayment of bank borrowings advanced under revolving banking facilities granted by Shanghai Pudong Development Bank and as to approximately HK\$4 million for general cash reserve.

Pursuant to section 3 of the Price Stabilising Rules, stabilising action may only take place, among other factors, where the total value of the New H Shares at the Placing Price is not less than HK\$100 million. Accordingly, for the purpose of compliance with the Price Stabilising Rules, the Over-allocation Option can only be exercised when the Placing Price will be HK\$0.70 or above. Should the final Placing Price be HK\$0.70 or above and the Over-allocation Option is exercised, the usage of approximately 25% of the additional net proceeds to be raised from the exercise of Over-allocation Option will be used for general working capital and approximately 75% will be used for repayment of bank borrowings advanced under revolving banking facilities granted by Shanghai Pudong Development Bank. Should the final Placing Price be determined at HK\$1.15 per H Share (being the highest price in the indicative Placing Price range), approximately HK\$18 million of the additional net proceeds of approximately HK\$24 million to be raised from the exercise of Over-allocation Option will be used for repayment of bank borrowings advanced under revolving banking facilities granted by Shanghai Pudong Development Bank and the remaining approximately HK\$6 million will be used for general working capital.

To the extent that the net proceeds of the issue of the New H Shares under the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short-term interest bearing deposits with licensed banks and/or financial institutions in the PRC.

SUMMARY OF THE PROSPECTUS

As set out in this section, the Directors estimated that the minimum total cost of implementation of the future plans will be approximately HK\$52 million. Taking into account the net proceeds of the Placing, the Company's existing financial resources and the Company's internally generated funds, the Directors consider that the Company will have sufficient working capital for the Business Plan as scheduled.

In the event that any part of the Business Plan does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or new projects and/or hold such funding as short-term deposits as long as the Directors consider it to be in the best interests of the Company and the Shareholders taken as a whole and to be in compliance with the GEM Listing Rules. In such event, the Company will make necessary announcement in accordance with the requirements under GEM Listing Rules as and when appropriate for such purpose.

PLACING STATISTICS

	Based on an indicative Placing Price of HK\$0.55 per H Share	Based on an indicative Placing Price of HK\$1.15 per H Share
Pro forma fully diluted earnings per Share (<i>Note 1</i>)	HK5.3 cents	HK5.3 cents
Market capitalisation of the H Shares (<i>Note 2</i>)	HK\$89 million	HK\$186 million
Pro forma fully diluted price/earnings multiple (<i>Note 3</i>)	10.4 times	21.7 times
Adjusted net tangible asset value per Share (<i>Note 4</i>)	HK\$0.23	HK\$0.36

Notes:

1. The calculation of the pro forma fully diluted earnings per Share is based on the audited profit attributable to shareholders of approximately RMB36.39 million (or approximately HK\$34.33 million) for the year ended 31 December 2002 and 647,058,824 Shares in issue immediately after completion of the Placing, but takes no account of any H Shares which may fall to be allotted and issued and/or sold upon the exercise of the Over-allocation Option.
2. The calculation of the market capitalisation of the H Shares is based on 161,764,706 H Shares in issue immediately after completion of the Placing but takes no account of any H Shares which may fall to be allotted and issued and/or sold upon the exercise of the Over-allocation Option.
3. The calculation of the pro forma fully diluted price/earnings multiple is based on the pro forma fully diluted earnings per Share calculated above.
4. The adjusted net tangible asset value per Share has been arrived at after making the adjustments in the paragraph headed "Adjusted net tangible assets" under the section headed "Financial information" in this prospectus and on the basis of 647,058,824 Shares in issue immediately after completion of the Placing. It does not take into account of any Shares which may fall to be allotted and issued and/or sold upon the exercise of the Over-allocation Option.