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## RELEVANT LAWS AND REGULATIONS OF THE PRC RELATING TO THE INDUSTRY AND THE COMPANY

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The relevant PRC laws and regulations relating to the Company's business include, among others, the Measures for Administration of Network Access for Telecommunication Equipment and the Regulations of the PRC on Telecommunication. Summaries of these regulations and rules are as follows:

### THE MEASURES FOR ADMINISTRATION OF NETWORK ACCESS FOR TELECOMMUNICATION EQUIPMENT 《電信設備進網管理辦法》

The Measures for Administration of Network Access for Telecommunication Equipment were promulgated by the MII on 10 May 2001. The PRC implements a Network Access Licence system for access to public telecommunications networks by certain prescribed types of telecommunications terminal equipment, wireless communications equipment and equipment involving interconnections between networks. A Network Access Licence issued by the MII must be obtained for telecommunications equipment subject to the Network Access Licence system. If a Network Access Licence is not obtained, the equipment may not be connected to a public telecommunications network. Neither may it be used or sold in the PRC.

The MII, together with departments of the State Council responsible for product quality supervision, is responsible for formulating and promulgating lists of telecommunication equipment which is subject to the Network Access Licence system. A production enterprise of telecommunication equipment ("production enterprise") must make its application for the Network Access Licence in compliance with the relevant laws, regulations and policies. To apply for the Network Access Licence, the telecommunication equipment must satisfy the standards of the State and communication industry as well as the requirements of the MII. The production enterprise should have complete quality guarantee system and after-sale service procedures in place. When the production enterprise submits its application for the Network Access Licence, it is required to enclose a testing report issued by an inspection organisation authorised by the MII and approved by the department of State Council responsible for product quality supervision, or a product quality system authentication certificate issued by a certification bodies. The basis, testing procedures and issue of assessment report for the inspection of the telecommunication equipment for the Network Access Licence, which are conducted by inspection bodies, must be in conformity with the requirements of the State or the MII. 中國電信管理局 (Telecommunication Management Bureau) is responsible for the nationwide administration and supervision of network access for telecommunication equipment. 通信管理局 (Communication Management Bureau) of various provinces, autonomous regions and municipalities directly under the central authority is responsible for the local administration and supervision of network access for telecommunication equipment. Besides, organisations authorised by the MII to handle the application of telecommunication equipment for the Network Access Licence may also deal with application matters.

The competent authority of information industry under the State Council shall, within 60 days after receiving the application, complete its examination on the application and telecommunication equipment testing report or the product quality certificate, and decide whether to approve or disapprove it. If approved, the Network Access Licence will be issued; otherwise, a written notification stating the reason of rejection shall be sent to the applicant. The production enterprise of telecommunication equipment shall ensure the stable and reliable quality of, and must not reduce the quality and performance of, its telecommunication equipment after obtaining the Network Access Licence.

The production enterprise must affix its Network Access Licence label to the telecommunication equipment. Being all printed and issued by the MII, the Network Access Licence label is a label of quality and may not be affixed to any telecommunication equipment which has not been issued with the Network Access Licence or whose Network Access Licence has been invalidated. The Network Access Licence and the Network Access Licence label must not be transferred, altered, fabricated or infringed. As at the Latest Practicable Date, the Company has not transferred, altered, fabricated or

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infringed, and will not transfer, alter, fabricate or infringe the Network Access Licence and the Network Access Licence label which the Company has obtained. The term of validity of a Network Access Licence is three years. The production enterprise should only continue to produce and sell the telecommunication equipment with Network Access Licence. The renewal application for the Network Access Licence must be made at least three months prior to the expiry of the Network Access Licence and enclose a testing report submitted for inspection within one year or sample testing report issued by product quality inspectors. The original of the report will be returned. If there occurs any change in the content specified in the Network Access Licence of telecommunication equipment, the production enterprise must re-apply for the Network Access Licence. The production enterprise having obtained an Network Access Licence must provide copies of the Network Access Licence to its distributors and users if they require. Each copy must be signed by the person-in-charge of the production enterprise, sealed with the common seal of the Company, numbered and recorded. In addition, the production enterprise having obtained the Network Access Licence must mark the number of the Network Access Licence on the package of its telecommunication equipment and related advertisement.

The MII will regularly announce the lists of the telecommunication equipment and production enterprise which have been issued with Network Access Licence to the public. Production enterprises having obtained the Network Access Licence must timely report the issue of Network Access Licence to the relevant communication management bureaus of provinces, autonomous regions and municipalities directly under the central authority and operate under the bureaus' supervision and management. No entity may re-inspect or issue the Network Access Licence to the telecommunication equipment having been issued the Network Access Licence. Telecommunication operators may not use any telecommunication equipment which is subject to the Network Access Licence system without the Network Access Licence.

### **REGULATIONS OF THE PRC ON TELECOMMUNICATION 《中華人民共和國電信條例》**

The Regulations of the People's Republic of China on Telecommunication were promulgated by the State Council on 25 September 2000. Pursuant to the Regulations, the responsible department of the MII of the State Council shall implement the nationwide management of telecommunication industry. Under the supervision of such responsible department, communication management bureaus of provinces, autonomous regions and municipalities directly under the central authority shall be responsible for the supervision and management of their respective local telecommunication industry under the Regulations.

Enterprises permitted to operate telecommunication business must legally acquire their business licence of telecommunication operation through registration with the relevant enterprise registration authority. Special telecommunication network operators operating telecommunication business in their respective districts at which the operators' offices are located must make application, obtain approval of the business licence of telecommunication operation in accordance with the requirements of the Regulations and relevant procedures, and then make registration according to the requirements previously stated.

The construction of public telecommunication network, private telecommunication network and broadcast and television transmission network must comply with the overall planning and industrial management of the MII, the competent authority in charge of information industry under the State Council. The construction of public telecommunication network, private telecommunication network and broadcast and television transmission network, which fall into the nationwide information network engineering or the project exceeding the limit stipulated by the State, must obtain permission from the competent authority of information industry under the State Council prior to the reporting for approval according to the procedures of examination and approval for the State Capital Construction Projects. The State applies the Network Access Licence system to telecommunication terminal equipment, wireless communication equipment and equipment involving

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interconnections between networks. Telecommunication terminal equipment, radio communication equipment and equipment involving interconnections between networks accessing to public telecommunication network must be in line with the standards stipulated by the State and obtain Network Access Licences. The catalogue containing telecommunication equipment applicable to the Network Access Licence system is formulated and promulgated by the competent authority of information industry under the State Council jointly with the product quality supervision department under the State Council. In relation to the telecommunications equipment having been issued the Network Access Licence, the department of the State Council responsible for product quality supervision, together with the competent authority of information industry under the State Council, is responsible for monitoring the quality, supervise the sampling and inspection and announce the results.

### Operations of and licences held by the Company

According to the business licence of the Company, its scope of business is the research and development, production, sale, installation and service of antenna for mobile communication systems and antenna for engineering products, microwave technological products, electronic communication products, data communication products, office automation, equipment and instruments and related system engineering (for the above items which require licencing, business will not commence until obtaining the relevant licences); export of the Company's and its members' manufactured products and related technologies (export products are the Company's manufactured electrical and mechanical products, excluding those products which are restricted to be operated by designated company(ies) or prohibited for export by the PRC Government); import of raw and auxiliary materials, mechanical devices, equipment and instruments, parts and components and the relevant technologies necessary for the production and scientific research activities of the Company and members of the Company (other than those products with restricted operation or prohibited for import by the PRC Government); processing of the Company's imported materials and "processing arrangement" (三來一補) businesses (which means original engineering manufacture, original material manufacture, original design manufacture and compensation trading). The Directors confirm that the principal business currently carried on by the Company are within the scope of business stipulated in the business licence, and that the business activities carried on by the Company are consistent with its legal rights and powers.

According to the investigation carried out by Jingtian & Gongcheng and the confirmation by the Directors, the principal products of the Company have been base station antennas and related products for mobile communication. According to the requirements of the laws and regulations of the PRC applicable to the relevant industry (such as The Regulations of the PRC on Telecommunication and The Measures for Administration of Network Access for Telecommunication Equipment), no approval is required from the relevant authorities for the production and sale of base station antennas. For products manufactured by the Company which are within the scope of "administration of network access for telecommunication equipment" as stipulated in the Measures for Administration of Network Access for Telecommunication Equipment, according to Jingtian & Gongcheng, the Company has undertaken the relevant procedures and obtained all qualifications for production and sale as required by the industry regulatory authority. Currently, the products in respect of which the Company has obtained the Network Access Licence issued by the MII include "GSM digital cellular repeater" (model no.: HTZF-900) (Network Access Licence No. 17-4838-011176, the validity period of which is from 21 August 2001 to 21 August 2004)" and "CDMA trunk amplifier" (model no.: HTZF-880GIII) (Network Access Licence No. 17-4838-022101, the validity period of which is from 23 September 2002 to 23 September 2005)". Except for products within the scope of "administration of network access for telecommunication equipment" as stipulated in the Measures for Administration of Network Access for Telecommunication Equipment which require the Network Access Licences issued by the MII, the research and development, manufacture and sale of other products of the Company are not restricted by the relevant laws and regulations of the PRC. The Company can research and develop, manufacture and sell such products.

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On 10 January 2002, the Company's CDMA repeaters were granted the Network Access Licence (Network Access Licence No. 17-4838-020007) by the MII and were granted access to the State's telecommunication network. The expiry date of this Network Access Licence was 10 January 2003. The Directors confirmed that after the expiry of this Network Access Licence, since the Company did not manufacture such product, therefore it had not undertaken the renewal procedure. According to Jingtian & Gongcheng, the Company is not in violation of the requirements of PRC laws, rules and regulations.

In accordance with the investigation carried out by Jingtian & Gongcheng and the confirmation given by the Directors, the Company has the right to sell products manufactured by it and can choose to sell within or outside the PRC without having to obtain specific approval from any PRC authorities. The Company has the right to effect import and export by itself. However, as regards the export of products, if the Company is to effect export itself, the Company should undertake the relevant export procedures and pay customs duties. The Company may also appoint a PRC import and export agent enterprise to export the products on its behalf.

According to the subsisting requirements in PRC laws and regulations, the quantity and price of products manufactured and/or sold by the Company are not subject to any mandatory plan or guidelines or requirements. The Company can determine or negotiate with customers the quantity and price in accordance with the demand and supply of the market.

According to the investigation carried out by Jingtian & Gongcheng and the confirmation given by the Directors, each of the sales contact points of the Company is stationed with staff of its sales and marketing department to coordinate the relevant businesses. Those sales contact points do not have independent legal status and are not required to obtain any approval and permission from the relevant authorities or to undertake any registration procedures.