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西安海天天线科技股份有限公司  
**XI'AN HAITIAN ANTENNA TECHNOLOGIES CO., LTD.\***

*(A joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 8227)**

**MAJOR TRANSACTION**  
**in respect of**  
**the establishment of a sino-foreign equity joint venture**  
**and**  
**RESUMPTION OF TRADING**

**Financial Adviser**



**招银国际**

**CMB International Capital Corporation Limited**

On 15 November 2005, the Company, Haitian HK and Datang Mobile entered into the Joint Venture Agreement, pursuant to which they have agreed to jointly establish the Joint Venture Company in the PRC.

As the amount of the registered capital of the Joint Venture Company to be contributed by the Company and Haitian HK in aggregate exceeds 25% but not more than 100% of the market capitalisation of the Company, the entering into of the Joint Venture Agreement constitutes a major transaction for the Company under Rule 19.07 of the GEM Listing Rules and is subject to the approval of the Shareholders at an extraordinary general meeting or by means of the written approval of the Shareholders who together hold more than 50% in nominal value of the shares of Company giving the right to attend and vote at such extraordinary general meeting. In this regard, the Company has received the written approval from Tian An, Jiefang and XITIC which together hold approximately 54.10% in nominal value of the shares of Company and have no interest in the transaction save through their interests in the Company. Tian An is owned as to 60% and 40% by Mr. Xiao Bing and Ms. Yao Wenli respectively, who are considered as concert parties of Professor Xiao Liangyong, being the founder and one of the promoters of the Company. Jiefang and XITIC are fellow promoters of the Company. As such, Tian An, Jiefang and XITIC are regarded as a closely allied group of shareholders of the Company under Rule 19.45 of the GEM Listing Rules. No Shareholder is required to abstain from voting on the relevant resolution should an extraordinary general meeting be held. Accordingly, no extraordinary general meeting will be required for the approval of the transaction. A circular containing details of the transaction will be despatched to the Shareholders as soon as practicable.

\* For identification purpose only

At the request of the Company, trading in the H Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 15 November 2005, pending the issue of this announcement. Application has been made for the resumption of trading in the H Shares with effect from 9:30 a.m. on 17 November 2005.

The Board is pleased to announce that on 15 November 2005, the Company, Haitian HK and Datang Mobile entered into the Joint Venture Agreement, pursuant to which they have agreed to jointly establish the Joint Venture Company in the PRC.

## **PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT**

### **Date**

15 November 2005

### **Parties**

- (1) the Company;
- (2) Haitian HK; and
- (3) Datang Mobile.

Haitian HK is a wholly owned subsidiary of the Company. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, Datang Mobile and its respective ultimate beneficial owners are Independent Third Parties.

### **Business scope of the Joint Venture Company**

The Joint Venture Company would be engaged in research and development, manufacture, provision of consultancy and services in respect of TD-SCDMA systems and equipment, multi-media communication systems and wireless distribution systems.

### **Term of the Joint Venture Company**

15 years from the date of issue of the business licence of the Joint Venture Company.

## Registered capital and total investment

The registered capital and the total investment of the Joint Venture Company are RMB160,000,000 (approximately HK\$153,846,154) respectively. The parties will pay up their respective contributions to the registered capital of the Joint Venture Company in two phases as follows:

Party	Pay by	Phase 1 (RMB)	Phase 2 (RMB)	Total (RMB)	Equity Interest (%)
The Company	Cash	41,400,000	41,400,000	82,800,000	53
	Fixed assets <sup>#</sup>	2,000,000	–	2,000,000	
Haitian HK	Cash	9,600,000	9,600,000	19,200,000	12
Datang Mobile	Cash	28,000,000	28,000,000	56,000,000	35
		<u>81,000,000</u>	<u>79,000,000</u>	<u>160,000,000</u>	<u>100</u>

# Fixed assets include equipment and machineries of the Group

Subject to the fulfillment of the conditions precedent of the Joint Venture Agreement, the contributions in phase 1 shall be paid within 10 days after the establishment of the Joint Venture Company. The contributions in phase 2 shall be paid within 4 months after the expiry of the time-limit for payment in phase 1.

The registered capital and total investment of the Joint Venture Company as well as the proportions to be contributed by each of the parties were determined by negotiation between the parties on arm's length basis and on normal commercial terms, taking into account their financial resources and the development of the Joint Venture Company.

The Directors expect to finance the contributions of the Company and Haitian HK by the Group's internal resources. In addition to the bank balance and cash balance of approximately RMB85 million as disclosed in the Group's interim report for the six months ended 30 June 2005, the Group also has short-term trade receivables of approximately RMB32 million which are due within 0-60 days. The amount required to be contributed by the Group by cash in phase 1 is RMB53 million whilst the remaining balance of RMB53 million shall be paid within 4 months after the expiry of the time-limit for payment in phase 1. As such, the Directors consider that that the Group has sufficient internal resources to meet its obligation in respect of the capital contributions to the Joint Venture Company.

## Conditions precedent for the payment obligations

The payment obligations of the parties are subject to the following conditions precedent:

- (1) the representations and warranties made by the parties in the Joint Venture Agreement are true and accurate;
- (2) the obtaining of the approvals from the relevant government authorities, including the approval certificate for sino-foreign equity joint venture and the business licence of the Joint Venture Company; and

- (3) the Joint Venture Company entered into the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement with Datang Mobile.

### **Profit sharing**

The profit of the Joint Venture Company will be shared between the Company, Haitian HK and Datang Telecom in proportion to their respective equity interests in the Joint Venture Company.

### **Board of directors**

The board of directors of the Joint Venture Company will comprise 5 directors, of which 2 will be appointed by the Company, 1 will be appointed by Haitian HK and 2 will be appointed by Datang Mobile.

### **POSSIBLE TRANSACTIONS**

Following the establishment of the Joint Venture Company, it will enter into the following agreements:

- (1) TD-SCDMA Technology Licence Agreement, pursuant to which Datang Mobile will grant a non-exclusive licence to the Joint Venture Company for using its TD-SCDMA mini-cellular base station technology for manufacturing TD-SCDMA mini-cellular base stations.
- (2) Intelligent Antenna Technology Licence Agreement, pursuant to which the Company will grant an exclusive licence to the Joint Venture Company for using its TD-SCDMA intelligent antenna technology for manufacturing TD-SCDMA intelligent antennas.
- (3) The Manufacture Agreement, pursuant to which Datang Mobile will purchase and the Joint Venture Company will sell the TD-SCDMA mini-cellular base stations manufactured by the Joint Venture Company on an exclusive basis.

Upon establishment of the Joint Venture Company, Datang Mobile will become a connected person of the Company within the meaning of the GEM Listing Rules. Depending on the size of transaction, the above agreements may constitute notifiable and/or non-exempt continuing connected transactions for the Company under Chapters 19 and 20 of the GEM Listing Rules which may or may not be approved by independent shareholders if such approval is required. In the event independent shareholders' approval for agreements (1) and (3) above, if required under the GEM Listing Rules, cannot be obtained and such agreements cannot be entered into, the obligation of the parties to contribute to the registered capital of the Joint Venture Company will not arise and the Joint Venture Company will be dissolved. Since detailed terms of the above agreements are yet to be finalized, the Company will comply with the requirements under Chapters 19 and 20 of the GEM Listing Rules at appropriate time.

### **INFORMATION OF THE PARTIES**

The Group 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 Group also provides technical support, system integration and installation services of base station antennas. The Group provides products and services to corporate clients comprising PRC's mobile communication network operators and mobile communication equipment vendors/system integrators.

Based on the information in its website, Datang Mobile, registered and established on 8 February 2002 in Beijing, the PRC, is one of the core members of Datang Telecom. Capitalizing on its research and development capability and regional advantage, Datang Mobile is mainly engaged in the production of TD-SCDMA infrastructure and terminal products and the development of relevant extended technologies and products. The flagship company of Datang Telecom is Datang Telecom Technology Co., Ltd., an enterprise established in the PRC with its shares listed on the Shanghai Stock Exchange and whose principal business includes the development, production and sale of communication equipment and the provision of related technical services in the PRC.

## **REASONS FOR THE ESTABLISHMENT OF THE JOINT VENTURE COMPANY**

Cooperation between the Group and Datang Mobile can be traced back to October 2002, when a strategic alliance was formed between the Company and Datang Mobile pursuant to an agreement dated 15 October 2002 for the joint development of intelligent antenna arrays in TD-SCDMA mobile communication system.

The Directors believe that through the establishment of the Joint Venture Company with Datang Mobile, the Group's sales and distribution network for its mobile communication products will be strengthened, and at the same time, the range of its products, in particular, products relating to TD-SCDMA technology will be expanded. Furthermore, the establishment of the Joint Venture Company will allow the Company to further penetrate the mobile communication product market in the PRC and broaden its geographic scope.

Upon the establishment of the Joint Venture Company, it will be considered as a non-wholly owned subsidiary of the Company. The results of the Joint Venture Company will therefore be consolidated into the Group's account. The Directors consider that the earning base of the Group will be enlarged when the Joint Venture Company commences to generate profits. The Directors do not expect the formation of the Joint Venture Company itself will have any significant impact on the assets and liabilities of the Group.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Joint Venture Agreement and the establishment of the Joint Venture Company are fair and reasonable, and is in the interests of the Group and the Shareholders as a whole.

## **GENERAL**

As the amount of the registered capital of the Joint Venture Company to be contributed by the Company and Haitian HK in aggregate exceeds 25% but not more than 100% of the market capitalisation of the Company, the entering into of the Joint Venture Agreement constitutes a major transaction for the Company under Rule 19.07 of the GEM Listing Rules and is subject to the approval of the Shareholders at an extraordinary general meeting or by means of the written approval of the Shareholders who together hold more than 50% in nominal value of the shares of Company giving the right to attend and vote at such extraordinary general meeting. In this regard, the Company has received the written approval from Tian An, Jiefang and XITIC which together hold approximately 54.10% in nominal value of the shares of the Company and have no interest in the transaction save through their interests in the Company. Tian An is owned as to 60% and 40% by Mr. Xiao Bing and Ms. Yao Wenli respectively, who are considered as concert parties of Professor Xiao Liangyong, being the founder and one of the promoters of the Company. Jiefang and XITIC are fellow promoters of the Company. As such, Tian An, Jiefang and XITIC are regarded as a closely allied group of shareholders of the Company under Rule 19.45 of the GEM Listing Rules. No Shareholder is required to abstain from voting on the relevant resolution should an extraordinary

general meeting be held. Accordingly, no extraordinary general meeting will be required for the approval of the transaction. A circular containing details on the transaction will be despatched to the Shareholders as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the H Shares on GEM has been suspended with effect from 9:30 a.m. on 15 November 2005, pending the issue of this announcement. Application has been made for the resumption of trading in the H Shares with effect from 9:30 a.m. on 17 November 2005.

## **DEFINITIONS**

“Company”	Xi’an Haitian Antenna Technologies Co., Ltd., a joint stock limited company incorporated in the PRC and the H shares of which are listed on GEM of the Stock Exchange
“Datang Mobile”	大唐移動通訊設備有限公司 (Datang Mobile Communication Equipment Co. Ltd.), established in the PRC in February 2002, 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. It is a core member of Datang Telecom
“Datang Telecom”	大唐電信科技產業集團 (Datang Telecom Technology and Industry Group), a large high-tech industry group of companies focusing on the research and development, production and sale of telecommunications equipment. Its members include Datang Mobile and 大唐電信科技股份有限公司 (Datang Telecom Technology Co., Ltd.), which is a limited liability company established in the PRC with its shares listed on the Shanghai Stock Exchange and whose principal business includes the development, production and sale of communications equipment and the provision of related technical services
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“H Shares”	Overseas-listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB0.10 each, which are listed on GEM and subscribed for and traded in Hong Kong dollars
“Haitian HK”	XAHT Antenna (Hong Kong) Limited, a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third party independent of the Company and any connected person of the Company and not a connected person of the Company within the meaning of the GEM Listing Rules
“Jiefang”	西安解放集團股份有限公司 (Xi’an Jiefang Group Joint Stock Co., Ltd.), a limited liability company established in the PRC, a Substantial Shareholder of the Company interested in 100,000,000 Shares, representing approximately 15.5% of the Company’s issued share capital
“Joint Venture Agreement”	a sino foreign equity joint venture agreement dated 15 November 2005 entered into between the Company, Haitian HK and Datang Mobile, pursuant to which the Company, Haitian HK and Datang Mobile agreed to establish the Joint Venture Company
“Joint Venture Company”	a limited liability company to be established in the PRC pursuant to the Joint Venture Agreement
“Manufacture Agreement”	the Manufacture Agreement to be entered into between the Joint Venture Company and Datang Mobile, pursuant to which Datang Mobile will purchase and the Joint Venture Company will sell the TD-SCDMA mini-cellular base stations manufactured by the Joint Venture Company on an exclusive basis.
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of RMB0.10 each in the share capital of the Company
“Shareholders”	the Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	shall have the same meaning as defined in the GEM Listing Rules
“TD-SCDMA”	Time Division Synchronous Code Division Multiple Access, one of the three recognized standards for 3G technology in the world
“TD-SCDMA Technology Licence Agreement”	the Technology Licence Agreement to be entered into between the Joint Venture Company and Datang Mobile, pursuant to which Datang Mobile will grant a non-exclusive licence to the Joint Venture Company for using its TD-SCDMA mini-cellular base station technology for manufacturing TD-SCDMA mini-cellular base stations
“Tian An”	西安天安投資有限公司 (Xi’an Tian An Investment Company Ltd.), a limited liability company established in the PRC, a Substantial Shareholder of the Company interested in 180,000,000 Shares, representing approximately 27.8% of the Company’s issued share capital

“XITIC”

西安國際信託投資有限公司 (Xi'an International Trust & Investment Co., Ltd.), a limited liability company established in the PRC, a Substantial Shareholder of the Company interested in 70,151,471 Shares, representing approximately 10.8% of the Company's issued share capital

*In this announcement, the exchange rate of HK\$1 to RMB1.04 has been used for reference only.*

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

Xi'an, the PRC, 16 November 2005

*As at the date of this announcement, the Board comprises 肖兵先生 (Mr. Xiao Bing) and 梁志軍先生 (Mr. Liang Zhijun) being executive Directors; 王科先生 (Mr. Wang Ke), 劉永強先生 (Mr. Liu Yongqiang), 王全福先生 (Mr. Wang Quanfu), 王京女士 (Ms. Wang Jing), and 李文琦先生 (Mr. Li Wenqi) being non-executive Directors; and 龔書喜先生 (Mr. Gong Shuxi) and 王鵬程先生 (Mr. Wang Pengcheng) being independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its publication.*