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

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8227)

**MAJOR AND CONNECTED TRANSACTION,
CONTINUING CONNECTED TRANSACTION
AND RESUMPTION OF TRADING**

Reference is made to the announcement of the Company dated 16 November 2005. The Board wishes to announce that, on 30 December 2005, the Joint Venture Company has entered into the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement with Datang Mobile. The Company has on the same date entered into the Intelligent Antenna Technology Licence Agreement with the Joint Venture Company.

TD-SCDMA Technology Licence Agreement

The consideration for the TD-SCDMA Technology Licence Agreement was approximately RMB60.86 million (equivalent to approximately HK\$58.52 million). The TD-SCDMA Technology Licence Agreement constituted a major transaction of the Company under the GEM Listing Rules. As at the Transaction Date and the Latest Practicable Date, Datang Mobile interested in 35% of the Joint Venture Company, a non-wholly owned subsidiary of the Company, thus it is a connected person of the Company within the meaning of the GEM Listing Rules. As such, the entering of the TD-SCDMA Technology Licence Agreement by the Joint Venture Company also constituted a connected transaction of the Company.

Manufacture Agreement

Pursuant to the Manufacture Agreement, the Joint Venture Company will sell and Datang Mobile will purchase the TD-SCDMA mini-cellular base stations manufactured by the Joint Venture Company on an exclusive basis for a period of six years commencing from 30 December 2005. The entering of the Manufacture Agreement by the Joint Venture Company also constituted a continuing connected transaction of the Company under the GEM Listing Rules.

* For identification purpose only

Non-compliance with the GEM Listing Rules

Since the entering of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement by the Joint Venture Company constituted major and connected transaction and continuing connected transaction of the Company respectively, the entering of each of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement were subject to announcement and shareholders' approval requirement under Chapter 19 and 20 of the GEM Listing Rules. However, the Company has failed to comply with the said requirements after the entering of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement by the Joint Venture Company on 30 December 2005. The Company seeks the ratification of the Transactions by, inter alia, issuing this announcement and obtaining shareholders' approval at the EGM, in order to fulfill the relevant requirements under the GEM Listing Rules.

General

Each of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement and the annual caps associated to the Manufacture Agreement is subject to independent Shareholders' approval requirement as stipulated under Rule 20.52 of the GEM Listing Rules. The voting at the EGM in respect of the resolutions for approving the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement and the annual caps associated to the Manufacture Agreement, for which no Shareholder is required to abstain from voting, will be taken by poll.

A circular containing, among other things, further details of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement, together with the recommendation of the independent board committee to the independent Shareholders, a letter of advice from an independent financial adviser to the independent board committee of the Company and the independent Shareholders, and the notice of EGM will be included in the circular to be dispatched to the Shareholders as soon as possible.

Resumption of trading

At the request of the Company, trading in the H Shares has been suspended from 9:30 a.m. on 11 August 2006 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:30 a.m. on 24 August 2006.

Reference is made to the announcement of the Company dated 16 November 2005 (the "Announcement"). Terms used herein shall have the same meaning ascribed thereto in the Announcement unless otherwise defined in this announcement.

The Board wishes to announce that, on 30 December 2005, the Joint Venture Company has entered into the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement with Datang Mobile. The Company has on the same date entered into the Intelligent Antenna Technology Licence Agreement with the Joint Venture Company.

THE AGREEMENTS

The TD-SCDMA Technology Licence Agreement

The principal terms of the TD-SCDMA Technology Licence Agreement are as follows:

Date	:	30 December 2005
Parties	:	(i) Datang Mobile; and (ii) the Joint Venture Company
Licence rights	:	Datang Mobile agreed to grant the non-exclusive licence to the Joint Venture Company for using its TD-SCDMA mini-cellular base station technology for manufacturing and sale of the Products in accordance with the Manufacture Agreement.

As at 30 June 2006, being the latest financial period end date of the Company for which financial results has been published, the net book value of the licence rights was approximately RMB57.47 million (equivalent to approximately HK\$55.26 million).

Term	:	Nine years commencing from the date of the TD-SCDMA Technology Licence Agreement, being 30 December 2005.
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Consideration	:	RMB60,855,100 (equivalent to approximately HK\$58,514,519). Pursuant to the TD-SCDMA Technology Licence Agreement, a first installment of the consideration of RMB32,360,000 (equivalent to approximately HK\$31,115,385) has to be settled by the Joint Venture Company within ten Business Days following the date of the agreement. The remaining balance of RMB28,495,100 (equivalent to approximately HK\$27,399,135) has to be settled within four months following the date of the agreement.
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The consideration was arrived at after arm's length negotiation between the Joint Venture Company and Datang Mobile with reference to comparable transaction involving the transfer of telecommunication technology licence.

As at the Latest Practicable Date, the Joint Venture Company has already paid RMB28 million (equivalent to approximately HK\$26.92 million) to Datang Mobile. The payment of the consideration has not been made in accordance with the original payment schedule as stipulated in the TD-SCDMA Technology Licence Agreement. The operation of the Joint Venture Company has not been in full thrust awaiting the policy regarding the standard of 3G technology in the PRC to be formulated, thus the parties consider unnecessary at this stage to deploy the resources of the Joint Venture Company as originally scheduled. The directors of the Joint Venture Company are still in the process of liaising with Datang Mobile to revise the payment schedule of the consideration in order to

match with the timing of policy formulation by relevant authorities in the PRC regarding the standard of 3G technology.

The consideration has been and will be settled by internal resources of the Joint Venture Company.

The Manufacture Agreement

The principal terms of the Manufacture Agreement are as follows:

Date	:	30 December 2005
Parties	:	(iii) Datang Mobile as the purchaser; and (iv) the Joint Venture Company as the supplier
Subject	:	Datang Mobile agreed to purchase and the Joint Venture Company agreed to sell the Products manufactured by the Joint Venture Company on an exclusive basis.
Term	:	Six years commencing from the date of the Manufacture Agreement, being 30 December 2005.
Selling price	:	The selling prices of the Products are determined on the basis of BOM costs plus certain fixed percentage of margin which the Directors consider to be in normal commercial terms.
Annual cap	:	RMB300 million for each of the financial years ended 31 December 2008. The Company will review the annual cap upon the expiry of the initial three-year period and will apply for annual caps for the remaining three years duration of the Manufacture Agreement in accordance with the GEM Listing Rules.

The annual caps were determined after taking into consideration of the maximum annual manufacturing capacity for the Products of the Joint Venture Company arrived at based on the existing facilities of the Joint Venture Company and production lead time of the Products, and the estimated selling price for the Products based on the above formula.

Other related agreement

The Company has also entered into the Intelligent Antenna Technology Licence Agreement with the Joint Venture Company on 30 December 2005, pursuant to which the Company has granted an exclusive licence to the Joint Venture Company for using its TD-SCDMA intelligent antenna technology to manufacture TD-SCDMA intelligent antennas for a period of nine years commencing from the date of the agreement at a consideration of RMB22 million (equivalent to approximately HK\$21.15 million). The entering of the Intelligent Antenna Technology Licence Agreement is exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 20.31(1) of the GEM Listing Rules.

REASONS FOR THE TRANSACTIONS

As referred to in the Announcement, the Directors believe that through the establishment of the Joint Venture Company, the Group's sales and distribution network for its mobile communication products will be strengthened and 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. The Directors consider that the earning base of the Group will be enlarged when the Joint Venture Company commences to generate profits.

The conditions precedent for the payment obligations under the Joint Venture Agreement included, among other things, the Joint Venture Company entered into the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement. Thus the entering of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement is essential for the Joint Venture Company to achieve the abovementioned benefits to the Group.

The Directors (including the independent non-executive Directors) consider that the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement have been entered into in the ordinary and usual course of business of the Group and the terms of which are on normal commercial terms. In particular, The Directors (including the independent non-executive Directors) consider that the terms of the Transactions and the annual caps for the Manufacture Agreement are fair and reasonable and in the interests of the shareholders as a whole.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Since the entering of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement by the Joint Venture Company constituted major and connected transaction and continuing connected transaction of the Company respectively, the entering of each of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement were subject to announcement and shareholders' approval requirement under Chapter 19 and 20 of the GEM Listing Rules. However, the Company has failed to comply with the said requirements after the entering of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement by the Joint Venture Company on 30 December 2005. The Company seeks the ratification of the Transactions by, inter alia, issuing this announcement and obtaining shareholders' approval at the EGM, in order to fulfill the relevant requirements under the GEM Listing Rules.

The Board will take appropriate remedial action so as to avoid future breaches of the GEM Listing Rules.

GENERAL INFORMATION

Information of the parties

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 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.

As referred to in the Announcement, 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.

Implication under the GEM Listing Rules

As the consideration payable under the TD-SCDMA Technology Licence Agreement exceeded 25% but not more than 100% of the market capitalization of the Company, the entering of the TD-SCDMA Technology Licence Agreement by the Joint Venture Company constituted a major transaction of the Company under the GEM Listing Rules. As at the Transaction Date and the Latest Practicable Date, Datang Mobile interested in 35% of the Joint Venture Company, a non-wholly owned subsidiary of the Company, thus it is a connected person of the Company within the meaning of the GEM Listing Rules. As such, the entering of the TD-SCDMA Technology Licence Agreement by the Joint Venture Company also constituted a connected transaction of the Company.

As each of the applicable percentage ratios (other than the profit ratios) is on an annual basis more than 25%, the entering of the Manufacture Agreement by the Joint Venture Company with Datang Mobile constituted a non-exempted continuing connected transaction of the Company under the GEM Listing Rules. In addition, pursuant to Rule 20.35(1) of the GEM Listing Rules, the independent financial advisers to be appointed by the Company will advise on the necessity of the duration of the Manufacture Agreement which is longer than three years and to confirm that the six years duration of the Manufacture Agreement is normal business practice for contracts of this type.

Each of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement and the annual caps associated to the Manufacture Agreement is subject to independent Shareholders' approval requirement as stipulated under Rule 20.52 of the GEM Listing Rules. The voting at the EGM in respect of the resolutions for approving the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement and the annual caps associated to the Manufacture Agreement, for which no Shareholder is required to abstain from voting, will be taken by poll.

A circular containing, among other things, further details of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement, together with the recommendation of the independent board committee to the independent Shareholders, a letter of advice from an independent financial adviser to the independent board committee of the Company and the independent Shareholders, and the notice of EGM will be included in the circular to be dispatched to the Shareholders as soon as possible.

RESUMPTION OF TRADING

At the request of the Company, trading in the H Shares has been suspended from 9:30 a.m. on 11 August 2006 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:30 a.m. on 24 August 2006.

DIRECTORS

As at the date of this announcement, the Board comprises 肖兵先生 (Mr. Xiao Bing), 梁志軍先生 (Mr. Liang Zhijun) and 周天游先生 (Mr. Zhou Tianyou) 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 龔書喜教授 (Professor. Gong Shuxi), 王鵬程先生 (Mr. Wang Pengcheng) and 強文郁先生 (Mr. Qiang Wenyu) being independent non-executive Directors.

DEFINITIONS

Unless otherwise stated, the following words and phrases have the following meanings in this announcement:

“Board”	the board of Directors
“BOM”	bill of materials, a complete list encompassing direct and indirect detailed material costs, labour costs, overhead costs, gross margin and total product costs for each product, together with tooling costs, and any other applicable costs associated with a product
“Business Day”	9:00 – 17:00 of any day except (i) Saturday and Sunday (unless prescribed otherwise by the PRC government); or (ii) any other statutory holidays in the PRC
“EGM”	an extraordinary general meeting of the Company to be convened for approving, inter alia, the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement and the annual caps associated to the Manufacture Agreement
“Intelligent Antenna Technology Licence Agreement”	the technology licence agreement dated 30 December 2005 entered into between the Company and the Joint Venture Company
“Joint Venture Company”	the joint venture company incorporated in the PRC on 30 December 2005 established pursuant to the Joint Venture Agreement
“Latest Practicable Date”	22 August 2006, being the latest practicable date for ascertaining certain information contained in this announcement
“Manufacture Agreement”	the manufacture agreement dated 30 December 2005 entered into between the Joint Venture Company and Datang Mobile

“Products”	the TD-SCDMA mini-cellular base stations to be manufactured by the Joint Venture Company pursuant to the Manufacture Agreement
“TD-SCDMA Technology Licence Agreement”	the technology licence agreement dated 30 December 2005 entered into between the Joint Venture Company and Datang Mobile
“Transactions”	the entering of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement with Datang Mobile by the Joint Venture Company
“Transaction Date”	30 December 2005, being the date of the TD-SCDMA Technology Licence Agreement and the Manufacture Agreement

For the purpose of illustration only, RMB to HK\$ is translated at a rate of RMB1.04 = HK\$1.00. No representation is made that any amounts in RMB could have been or could be converted at such rate or any other rates or at all.

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

Xi’an, the PRC, 23 August 2006

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.

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