

# INVESTMENT BY JATF

## INFORMATION ON JATF

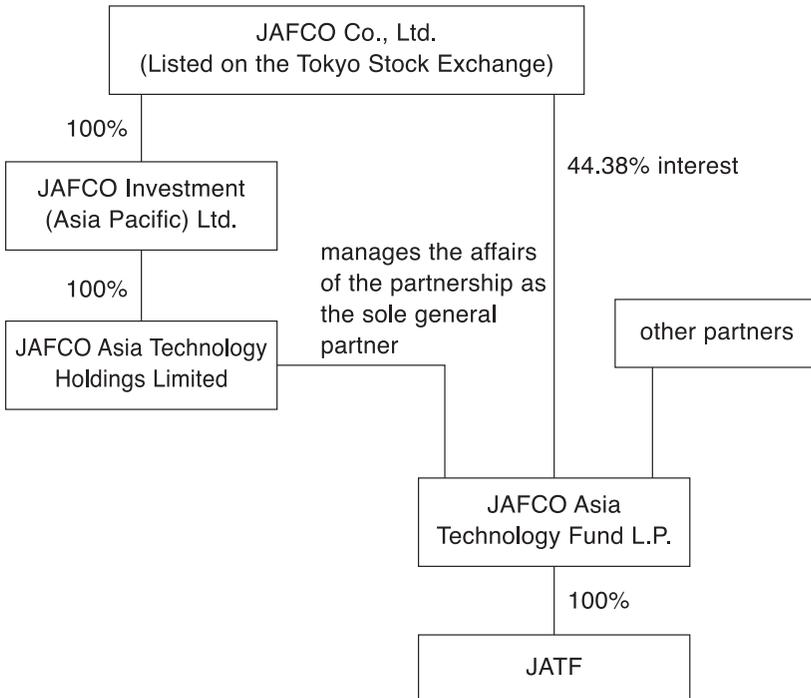
JATF is a Cayman Islands company wholly owned by JAFCO Asia Technology Fund L.P. which is a limited partnership, in which JAFCO Co., Ltd. holds more than 30% interests. JATF invests in other companies apart from the Company.

JAFCO Asia Technology Holdings Limited manages the affairs of JAFCO Asia Technology Fund L.P. as the sole general partner and is wholly owned by JAFCO Investment (Asia Pacific) Ltd.

JAFCO Investment (Asia Pacific) Ltd. was established in March 1990 as a joint venture between JAFCO Co., Ltd. and the Nomura Securities Co., Ltd. group of companies and became a wholly owned subsidiary of JAFCO Co., Ltd. in March 1999. It has managed private equity funds valued in aggregate of more than US\$850 million and has a track record of investments in over 270 companies.

JAFCO Co., Ltd., established in 1973, is a company listed on the Tokyo Stock Exchange. Currently, it has an aggregate commitment of over US\$3 billion under management worldwide. Globally, it has invested in over 2,700 companies of which more than 710 companies have successfully achieved public listing on various stock exchanges.

The following chart sets out the relationship of the above companies:—



**INVESTMENT BY JATF IN THE COMPANY**

JATF entered into the Subscription Agreement with the Company, Data Dreamland, Mr. Guo, Ms. Yang and Ms. Ma on 15 August 2003, pursuant to which, among other things:—

- (1) JATF agreed to subscribe for 4,000,000 new Preference Shares (which amounted to approximately 18.18% of the enlarged issued share capital of the Company immediately after the completion of such subscription) at an aggregate subscription price of US\$4,000,000 (approximately HK\$31,200,000);
- (2) the Company, Data Dreamland, Mr. Guo, Ms. Yang and Ms. Ma provided certain representations and warranties; and
- (3) Mr. Guo, Ms. Yang and Ms. Ma agreed to guarantee to JATF the performance by Data Dreamland of its obligations under the Subscription Agreement.

The issue and subscription of such Preference Shares pursuant to the Subscription Agreement was completed on 22 August 2003 (the “Completion Date”).

On the Completion Date, the same parties to the Subscription Agreement entered into a shareholders agreement (the “Shareholders Agreement”) to govern certain aspects of the affairs of the Company. The Shareholders Agreement shall automatically terminate and cease to have effect on the date on which an initial public offering (the “IPO”) of the Ordinary Shares on an internationally recognised stock exchange is consummated.

On 22 December 2003, JATF converted all the 4,000,000 Preference Shares into 4,000,000 Ordinary Shares of the Company and remained to be interested in 18.18% in the then issued share capital of the Company. Based on the aggregate number of 54,545,455 Shares comprising (i) the 22,545,455 Shares to be held by JATF immediately after the completion of the Capitalisation Issue and the Share Offer and (ii) the 32,000,000 Sale Share, the consideration of investment would be approximately HK\$0.57 per Share, representing a discount of approximately 31% to HK\$0.83, being the mid-point of the indicative Offer Price range between HK\$0.79 and HK\$0.87. The Directors consider that the investment by JATF had not only improved the Group’s working capital position but also would enhance the Company’s shareholder profile and could be viewed as recognition on the Group’s capabilities as a wireless solution and equipment provider. The Directors also consider that JATF’s connection with wireless communication companies might create potential business opportunities for the Group. Therefore, the Directors are of the view that the consideration of investment by JATF of approximately HK\$0.57 per Share is fair and reasonable.

Up to 30 September 2004, approximately US\$2.62 million (approximately HK\$20 million) of the US\$4 million (approximately HK\$31,200,000) invested by JATF was used by the Group as general working capital, in particular the manufacturing, sales and marketing in relation to the Group’s *Coolpad* smartphones. Approximately US\$0.28 million (approximately HK\$2 million) was used to settle part of the listing expenses. The Group intends to use the remaining balance of approximately US\$1.1 million (approximately HK\$9.2 million) as the working capital and to settle the remaining listing expenses.

JATF will undertake with the Company, DBS Asia and the Placing Underwriters in the Placing and Underwriting Agreement to the effect that it shall not, and shall procure that none of its associates, companies controlled by it, nominees or trustees holding in trust for it shall

not, sell, transfer or otherwise dispose of or enter into any agreement to dispose of, or create any rights (including, without limitation, by the creation of any rights, interest, option, charge, encumbrance or entering into any agreements or arrangements that transfer or otherwise dispose of, in whole or in part, any of the economic consequence of ownership of any Shares) save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan:

- (a) any of the Shares or any interest therein beneficially owned by it or its associates, companies controlled by it, nominees or trustees holding in trust for it (including any interest in any shares in any company controlled by it which is directly or indirectly the beneficial owner of any of the Shares) immediately following the completion of the Share Offer (including, where applicable, the issue of the Over-allotment Shares) and the Capitalisation Issue, during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, save the offer for sale of the Sale Shares by the Vendor; and
- (b) any of the Shares to be transferred from Data Dreamland under the Option Agreement or any interest therein beneficially owned by it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by it which is directly or indirectly the owner of any of such Shares) during a period of six months from the completion of the transfer.

### **SUMMARY OF THE MAJOR RIGHTS ATTACHED TO THE PREFERENCE SHARES**

- (1) Dividends: The holders of Ordinary Shares and Preference Shares shall be entitled to receive dividends (in the case of the Preference Shares, based on the number of Ordinary Shares into which Preference Shares are convertible on the date such dividend is declared), when and as declared by a resolution of directors, out of legally available funds. The holders of Preference Shares shall be entitled to receive dividends prior to and in preference to the holders of Ordinary Shares. No dividend, whether in cash, in property or in the shares of the Company, shall be allowed to be paid on any other class or series of shares of the Company unless and until a dividend in like amount and kind was first paid or granted in full on the Preference Shares (based on the number of Ordinary Shares into which Preference Shares are convertible). The dividends payable to the holders of any class of shares shall not be cumulative, and no right shall accrue to the holders thereof by reason of the fact that dividends are not declared or paid in any previous financial year of the Company, whether or not the legally available funds of the Company in that previous financial year was sufficient to pay such dividends in whole or in part.
- (2) Liquidation, dissolution, winding up of the Company, or a return of capital (other than upon conversion, redemption or repurchase of shares or with respect to a dividend) whether voluntary or not, or a sale of all or substantially all of the assets and/or stock of the Company, or a merger or consolidation of the Company in which the shareholders of the Company will not retain a majority of the voting power in the surviving company (each a "Liquidation Event"): Each holder of Preference Shares shall be entitled to receive, prior and in preference to any distribution of any assets, surplus or funds of the Company to the holders of the Ordinary Shares or any other class or series of shares of the Company by reason of their ownership of such shares, an amount per Preference Share held by him which shall equal to the summation of (aa) the aggregate amount of the issue price (inclusive of share premium and par value) paid or credited as fully paid

on each Preference Share then in issue, (bb) an amount equal to annual interest rate of 12% to be compounded yearly on the amount referred to in (aa) above calculated on a daily basis and on the basis of the actual number of days lapsed in a year of 365 days, including the Completion Date and the date of commencement of the Liquidation Event, and (cc) all declared but unpaid dividends and distributions on each Preference Share calculated up to and including the date of commencement of the Liquidation Event (collectively, the “Preference Amount”). If, upon the occurrence of a Liquidation Event, the assets and funds available to be distributed among the holders of Preference Shares shall be insufficient to permit the payment to such holders of the full Preference Amount, then the entire assets and funds of the Company legally available for distribution to such holders shall be distributed rateably among the holders of the Preference Shares in proportion to the aggregate Preference Amount for the Preference Shares owned by each such holder. After payment has been made to the holders of Preference Shares of the full Preference Amount to which they are entitled, each holder of Ordinary Shares shall be entitled to receive an amount per Ordinary Share held by him which shall equal to the summation of (aa) the aggregate amount of the subscription price (inclusive of share premium and par value) paid or credited as fully paid on each Ordinary Share then in issue and outstanding and (bb) all declared but unpaid dividends and distributions on each Ordinary Share calculated up to and including the date of commencement of the Liquidation Event. The remaining assets and funds of the Company available for distribution to members of the Company shall be distributed among the shareholders in proportion to their respective shareholding proportions (on the basis that includes the number of Ordinary Shares into which such Preference Shares may be converted at the time).

- (3) Voting rights: The holder of each Preference Share shall be entitled to attend all general meetings of the Company and shall have the number of votes equal to the number of Ordinary Shares into which such Preference Shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited, in each case such votes to be counted together with all other shares in the capital of the Company having general voting power and not separately as a class. The holders of the Preference Shares and the Ordinary Shares shall vote together and not as a separate class, except as otherwise specifically required in the Subscription Agreement or by the articles of association of the Company or by any written agreement between the members of the Company.
- (4) Conversion: The holders of Preference Shares shall have conversion rights as follows:—
- (a) Right to convert: Each Preference Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of fully-paid and non-assessable Ordinary Shares as is determined by dividing US\$1.00 (approximately HK\$7.80) by the then applicable Conversion Price (as defined below) in effect at the time of conversion.
- (b) Automatic conversion: Each Preference Share shall automatically be converted into Ordinary Shares at the then effective applicable Conversion Price on the date being 6 months before the estimated bulk-print date of the prospectus relating to the IPO in accordance with the timetable approved by the Company and the holders of the Preference Shares.

- (c) Conversion Price: The price at which Ordinary Shares shall be deliverable upon conversion of Preference Shares (the “Conversion Price”) shall initially be:—
- (i) US\$1.00 (approximately HK\$7.80); or
  - (ii) US\$0.80 (approximately HK\$6.24) where conversion of the Preference Shares does not occur within 24 months after the Completion Date.
- (5) Failure to achieve an IPO: Where the Company does not achieve an IPO within 8 months after the conversion of the Preference Shares into Ordinary Shares, the then holder of the Ordinary Shares into which the Preference Shares have been converted shall have the option to require the Company, upon serving on the Company a written notice:—
- (a) subject to applicable law, to re-convert such Ordinary Shares into the same number of Preference Shares which had been converted into such Ordinary Shares; or
  - (b) if the re-conversion referred to in paragraph (a) above is not implemented within 2 months of the written notice from the holder of Ordinary Shares, to redeem such Ordinary Shares.

JATF’s re-conversion right has become exercisable from 21 August 2004 onwards. The parties to the Subscription Agreement do not intend to enter into any supplemental agreement in respect of such re-conversion right. Nevertheless, JATF has not exercised the re-conversion option and does not intend to re-convert the Ordinary Shares it holds into Preference Shares if the Share Offer can be completed under the terms set out in this prospectus.

- (6) Redemption:—
- (a) If not converted, the Preference Shares may, subject to the applicable legal restrictions on the Company’s redemption of its shares, be redeemed at the option of the holders thereof:—
    - (i) at any time beginning on 1 July 2006; or
    - (ii) at any time after a material default in the performance or observance by the Company, Data Dreamland, Mr. Guo, Ms. Yang or Ms. Ma of its/his/her obligations under the Subscription Agreement or the Shareholders Agreement has occurred and such material default shall continue for 14 days following the service by the holder of the Preference Shares on the Company, Data Dreamland, Mr. Guo, Ms. Yang or Ms. Ma (as the case may be) of notice requiring such material default to be remedied, except where the holder of the Preference Shares certifies in writing that, in its opinion, such material default is not capable of remedy, then no such notice as mentioned above shall be required,

at a redemption price for each Preference Share which shall be equal to the summation of (aa) the aggregate amount of the issue price (inclusive of share premium and par value) paid or credited as fully paid on each Preference Share then in issue, (bb) an amount equal to annual interest rate of 8% to be compounded

yearly on the amount referred to in (aa) above calculated on a daily basis and on the basis of the actual number of days lapsed in a year of 365 days, from and including the Completion Date and the date of redemption.

- (b) Where the option set out in paragraph (5) above is exercised, such Ordinary Shares shall, subject to the applicable legal restrictions on the Company's redemption of its shares, be redeemed at a redemption price for each Ordinary Share which shall be equal to the summation of (aa) the Conversion Price at which such Ordinary Share had been converted from Preference Shares, (bb) an amount equal to annual interest rate of 8% to be compounded yearly on the amount referred to in (aa) above calculated on a daily basis and on the basis of the actual number of days lapsed in a year of 365 days, from and including the Completion Date and the date of redemption.

## **OPTION AGREEMENT**

In accordance with the Subscription Agreement and as a condition to the conversion, JATF, Data Dreamland, Mr. Guo, Ms. Yang and Ms. Ma entered into an option agreement on 22 December 2003 as varied by a deed of amendment entered into by the same five parties together with Barrie Bay on 23 November 2004 (the option agreement, as amended by the deed of amendment, shall be referred to as the "Option Agreement"). The main purpose of the Option Agreement is to give an option to JATF to purchase more Shares from Data Dreamland at a nominal aggregate consideration of US\$1.00 (approximately HK\$7.80) in the event that the IPO of the Company does not fulfil any of the following conditions:—

- (a) an underwritten public offering of the Ordinary Shares on the Main Board at a public offering price which will result in:—
- (i) where such offering is closed within 12 months after the Completion Date, the Company's total market capitalisation being not less than US\$50,000,000 (approximately HK\$390,000,000) and the gross proceeds to the Company of the IPO being in excess of US\$12,000,000 (approximately HK\$93,600,000) where the public float following such an offer is likely to equal or exceed 25% of the enlarged share capital of the Company; or
- (ii) where such offering is closed after 12 months from the Completion Date, the Company's total market capitalisation being not less than US\$60,000,000 (approximately HK\$468,000,000) and the gross proceeds to the Company of the offering being in excess of US\$15,000,000 (approximately HK\$117,000,000) where the public float following such an offer is likely to equal or exceed 25% of the enlarged issued share capital of the Company; or
- (b) a similar public offering of the Ordinary Shares in a jurisdiction and on a recognised securities exchange outside of Hong Kong approved by JATF and Data Dreamland, provided such public offering in terms of offer price, offering proceeds and regulatory approval is reasonably equivalent to the aforementioned public offering in Hong Kong.

Where the IPO of the Company does not fulfil any of the above conditions and if (1) the number of Ordinary Shares converted from the Preference Shares in accordance with the Subscription Agreement plus the number of Ordinary Shares that would be issued to JATF in

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the Capitalisation Issue (together, the “Original Number”) is less than (2) N calculated in accordance with the following formula, then the number of Ordinary Shares subject to the option will be the difference between N and the Original Number.

$$N = \frac{MC}{\text{Offer Price}} \times \left(1 - \frac{NS}{TS}\right) \times \frac{SC}{TC}$$

Where, MC = US\$50,000,000 (approximately HK\$390,000,000) where the Company achieves the IPO within 12 months after the Completion Date (i.e. on or before 22 August 2004); or US\$60,000,000 (approximately HK\$468,000,000) where the Company achieves the IPO after that day

NS = the number of Ordinary Shares to be issued by the Company under the IPO (without taking into account of any Ordinary Shares that may be issued pursuant to any over-allotment option)

TS = the enlarged share capital of the Company immediately following completion of the IPO (without taking into account of any Ordinary Shares that may be issued pursuant to any over-allotment option)

SC = the actual number of Ordinary Shares into which the Preference Shares are converted in accordance with the Subscription Agreement

TC = the total number of Ordinary Shares in the issued share capital of the Company immediately after the conversion of the Preference Shares into Ordinary Shares in accordance with the Subscription Agreement

Such option can only be exercised by JATF after the expiry of the moratorium for Data Dreamland period as set out in the Listing Rules applicable to the IPO. Mr. Guo, Ms. Yang and Ms. Ma agree to guarantee, and Barrie Bay agrees to procure, the performance of the obligations by Data Dreamland under the Option Agreement subject to the moratorium period for Data Dreamland.

Given the terms and the timing of the Share Offer, the Option Agreement will be applicable. Accordingly, JATF will have the option to require Data Dreamland to transfer certain number of Shares to JATF at an aggregate consideration of US\$1.00 (approximately HK\$7.80). The number of Shares subject to the option will depend on the Share Price. For illustration purpose, three scenarios are set out below:

Share Price	Number of Shares subject to the option	Shareholding (in percentage of the Company's enlarged share capital) after the exercise of the option under the Option Agreement where the Over-allotment Option is not exercised <i>(Note)</i>		Shareholding (in percentage of the Company's enlarged share capital) after the exercise of the option under the Option Agreement where the Over-allotment Option is fully exercised <i>(Note)</i>	
		JATF	Data Dreamland	JATF	Data Dreamland
HK\$0.79	26,237,054	12.20%	50.30%	11.62%	47.93%
HK\$0.83	22,343,921	11.22%	51.28%	10.69%	48.86%
HK\$0.87	18,808,777	10.34%	52.16%	9.85%	49.70%

*Note:* The calculations on shareholdings (a) are based on the assumption that there will be no changes in the respective numbers of Shares held by the public and Wintech Consultants between the Listing Date and the date on which the option is exercised by JATF and (b) do not take into account Shares that may be issued upon exercise of any options that may be granted under the Share Option Scheme or issued under the general mandate given to the Directors to issue new Shares or Shares which may be repurchased by the Company. Based on such calculations, there will not be a change in control of the Company solely due to the exercise of the option by JATF under the Option Agreement.

The Company will make an announcement which is to be published in the newspapers as soon as possible when it becomes aware of any exercise by JATF of the option under the Option Agreement.