

**FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 June 2002. The Company has established a place of business in Hong Kong at Room 1902, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong and was registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 24 February 2003. Wong Brothers & Co. of Room 1902, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong have been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company is incorporated in the Cayman Islands, its operation is subject to the Companies Law and to its constitutional documents which comprise a memorandum and articles of association of the Company. A summary of various provisions of its constitutional documents and relevant aspects of the Companies Law are set forth in Appendix V to this prospectus.

**2. Changes in share capital of the Company**

At the date of incorporation of the Company, its authorised share capital was HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, one of which was allotted and issued at par to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Guo on 25 June 2002.

On 31 July 2003, pursuant to the corporate reorganisation as mentioned in the paragraphs headed "Corporate reorganisation" below, Mr. Guo and Ms. Yang transferred 5,000 and 45,000 shares respectively in Yulong Infotech (which, together, constitute the entire issued share capital of Yulong Infotech) to the Company in consideration of which the Company allotted and issued 8,639,999 Shares credited as fully paid to Data Dreamland. Ms. Ma and Ms. Yang transferred 1 and 9 shares respectively in DTI (which, together, constitute the entire issued share capital of DTI) to the Company in consideration for the Company allotting and issuing 9,360,000 Shares credited as fully paid to Data Dreamland. On the same day, Mr. Guo transferred one Share to Data Dreamland in cash at par. Immediately following such allotment, issue and transfer of Shares, the Company became wholly owned by Data Dreamland.

On 22 August 2003, the authorised share capital of the Company, whether issued or unissued, was re-designated and reclassified as to (a) HK\$40,000 divided into 4,000,000 Preference Shares; and (b) HK\$350,000 divided into 35,000,000 Shares (including HK\$180,000 divided into 18,000,000 Shares which have been allotted and issued as at 31 July 2003). On the same day, 4,000,000 Preference Shares were allotted and issued to JATF for cash at the subscription price of US\$1.00 each. Immediately following such allotment and issue, the Company became owned as to approximately 81.82% by Data Dreamland and 18.18% by JATF.

On 22 December 2003, the 4,000,000 Preference Shares held by JATF were converted into 4,000,000 Ordinary Shares by redesignating and reclassifying the Preference Shares as Ordinary Shares. On redesignation, the authorised share capital of the Company became HK\$390,000 divided into 39,000,000 Ordinary Shares of HK\$0.01 each and the converted

Ordinary Shares rank pari passu in all respects with the Ordinary Shares then in issue and form part of the class of the Ordinary Shares (and cease to form part of the class of Preference Shares for all purposes).

On 30 March 2004, for the purpose of providing additional incentives to the key management who, in the opinion of the trustee of the China Wireless Employee Benefit Trust, has made exceptional contribution to the development of the Group, Data Dreamland transferred 1,320,000 Shares, representing approximately 6% of the then issued share capital of the Company, at a nominal consideration of HK\$1.00, to Wintech Consultants for the setting up of the China Wireless Employee Benefit Trust. Wintech Consultants is the trustee of the China Wireless Employee Benefit Trust. As Data Dreamland was wholly and beneficially owned by Mr. Guo and his associates at the time of transfer and Wintech Consultants is wholly and beneficially owned by Mr. Guo, a nominal consideration was paid for the transfer. According to the trust deed dated 30 March 2004 as amended by the supplemental deed dated 21 November 2004 (the employee trust deed, as amended, shall be referred to as "Employee Trust Deed"), the trust fund of the China Wireless Employee Benefit Trust consists of (i) trust property as specified under the Employee Trust Deed; (ii) all money, investments or other property paid or transferred by any person to or so as to be put under the control of the trustee to be held upon the China Wireless Employee Benefit Trust and, in either case, accepted by the trustee as additions; (iii) all accumulations of income added to the trust fund; and (iv) the money, investments and property from time to time representing the above. The Employee Trust Deed does not specify a maximum limit of the trust fund under the China Wireless Employee Benefit Trust. As at the Latest Practicable Date, the trust fund of the China Wireless Employee Benefit Trust consists solely of 1,320,000 Shares. The Directors confirmed that the trustee has no present intention to acquire any additional Shares for the benefit of China Wireless Employee Benefit Trust (except for the Capitalisation Issue pursuant to the Share Offer). The trustee holds the entire trust fund upon trust for the beneficiaries who are the employees of the Group as at the date of the Employee Trust Deed and from time to time and which does not exclude connected persons (as defined in the Listing Rules) of the Company (except Mr. Guo, Ms. Yang and Ms. Ma). The duration of the China Wireless Employee Benefit Trust is 80 years from the date of the Employee Trust Deed or as the trustee shall specify (whichever is the earlier). The China Wireless Employee Benefit Trust is a discretionary trust. The trustee shall hold the capital and income of the trust fund upon trust for the benefit of such beneficiaries, at such ages or times, in such shares upon trust, on such terms and conditions and in such manner generally as the trustee shall in its discretion think fit. The trustee shall have powers and discretions to appoint or apply capital monies to grant options over the Shares (at the expense of trust fund), upon such terms as the trustee may think fit, to the beneficiaries. The trustee may enter into any agreement or contract, on such terms as the trustee may think fit, with the Company and the beneficiaries to enable any beneficiary to acquire and take up the Shares or options over the Shares. The Directors believe that the China Wireless Employee Benefit Trust is a more flexible mechanism in providing incentive to employees of the Group in view of the discretions the trustee of the China Wireless Employee Benefit Trust enjoys in granting incentives to the employees of the Group. The Directors confirmed that as at the Latest Practicable Date, none of the beneficiaries of the China Wireless Employee Benefit Trust has been granted any forms of incentives out of the trust fund by the trustee. The Directors also confirmed that the trustee has no present intention to grant any incentives to any of the beneficiaries prior to the Listing Date.

On 22 November 2004, Mr. Guo and Ms. Yang set up a discretionary trust, namely the Barrie Bay Trust. On 23 November 2004, the entire issued share capital of Data Dreamland is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust, a unit trust of which 9,999 units are held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Trust and the remaining 1 unit is held by Ms. Yang Hua. The entire issued share capital of Barrie Bay is held by HSBC Trustee. The discretionary objects of the Barrie Bay Trust are the children of Mr. Guo and Ms. Yang who are under 18 years old.

Pursuant to resolutions in writing of all shareholders of the Company passed on 21 November 2004, the authorised share capital of the Company was increased from HK\$390,000 to HK\$10,000,000 by the creation of a further 961,000,000 Shares.

Assuming that the Share Offer becomes unconditional, the Capitalisation Issue is completed and the Offer Shares are issued but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$10,000,000 divided into 1,000,000,000 Shares and the issued share capital of the Company will be HK\$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid, with 600,000,000 Shares remaining unissued. On the basis that the Over-allotment Option is exercised in full, an additional 19,800,000 Shares will be issued and allotted fully paid or credited as fully paid and 580,200,000 Shares will remain unissued.

Save as disclosed herein and as mentioned in the following paragraphs respectively headed "Written resolutions of all the shareholders of the Company passed on 21 November 2004" and "Corporate reorganisation", there has been no alteration in the share capital of the Company since the date of its incorporation.

### **3. Written resolutions of all the shareholders of the Company passed on 21 November 2004**

On 21 November 2004, resolutions of all the shareholders of the Company were passed pursuant to which, inter alia:—

- (a) the Company approved and adopted the new articles of association (a summary of which is set out in Appendix V to this prospectus) in substitution for and to the exclusion of the then existing articles of association with immediate effect; and any one of the Directors or secretary of the Company was authorised to prepare and execute all documents and to do all such other things as he considers to be necessary on behalf of the Company in relation to the adoption of the new articles of association including but not limited to, any filing or registration procedures in the Cayman Islands and/or Hong Kong;
- (b) the authorised share capital of the Company was increased from HK\$390,000 to HK\$10,000,000 by the creation of an additional 961,000,000 Shares to rank pari passu with the existing Shares in all respects;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the entering into of the agreement on the Offer Price between the Company, the Vendor and DBS Asia on the Price Determination Date; and (iii) the obligations of the Underwriters under each of the Underwriting Agreements

becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by DBS Asia (acting for itself and on behalf of the other Underwriters)) and not being terminated in accordance with the terms of the respective Underwriting Agreements or otherwise, in each case on or before 9 December 2004 (or such later date as DBS Asia, acting for itself and on behalf of all other Underwriters, may agree):—

- (i) the Share Offer was approved and the Directors were authorised to allot and issue, and to approve the transfer of the Sale Shares by the Vendor, of the Offer Shares (as the case may be) and to allot and issue such number of Shares as may be required upon the exercise of the Over-allotment Option on and subject to the terms and conditions as stated in this prospectus and the Application Forms relating thereto;
- (ii) subject to further agreement between the Company, the Vendor and DBS Asia (for itself and on behalf of the Placing Underwriters), the Over-allotment Option was granted to DBS Asia (for itself and on behalf of the Placing Underwriters) as mentioned in this prospectus and that the Directors were authorised to effect the allotment and issue of an aggregate of up to 19,800,000 additional new Shares pursuant to the exercise of the Over-allotment Option, representing 15% of the number of the Offer Shares initially being offered under the Share Offer at the Offer Price to cover over-allocations in the Placing;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraphs headed “Share Option Scheme”, were approved and adopted, and the Directors were authorised to implement the same and to grant options thereunder and to allot and issue Shares pursuant to the exercise of any options granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (iv) conditional on the share premium account of the Company being credited as a result of the issue of New Share under the Share Offer, the Directors were authorised to capitalise HK\$2,780,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 278,000,000 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company on 21 November 2004 (or as they may direct) in the following manner:—

| <b>Name of Shareholder</b> | <b>No. of Shares to be issued and allotted</b> |
|----------------------------|--|
|----------------------------|--|

|                     |             |
|---------------------|-------------|
| Data Dreamland      | 210,774,545 |
| JATF                | 50,545,455  |
| Wintech Consultants | 16,680,000  |

- (v) a general unconditional mandate was given to the Directors authorising them to allot, issue and deal with, (otherwise than by way of rights issues, by virtue of scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with the articles of association of the Company or pursuant to the exercise of

any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares issued by the Company or in issue prior to the date of the passing of the relevant resolution or pursuant to the exercise of options granted under the Share Option Scheme or under the Share Offer or the Over-allotment Option or the Capitalisation Issue), on behalf of the Company, Shares with an aggregate nominal value not exceeding the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the Listing Date, such mandate to remain in effect until whichever is the earliest of:—

- (aa) the conclusion of the next annual general meeting of the Company;
  - (bb) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or its articles of association to be held; or
  - (cc) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) a general unconditional mandate was given to the Directors authorising them to exercise all the powers of and on behalf of the Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange, for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the Listing Date, such mandate to remain in effect until whichever is the earliest of:—
- (aa) the conclusion of the next annual general meeting of the Company;
  - (bb) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or its articles of association to be held; or
  - (cc) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate; and
- (vii) the extension of the general unconditional mandate mentioned in paragraph (v) above to include the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein was approved.

#### 4. Corporate reorganisation

In preparing the listing of the Shares on the Stock Exchange, the companies comprising the Group underwent a reorganisation to rationalise the corporate structure of the Group and the Company became the ultimate holding company of the Group. The corporate reorganisation involves the following:—

- (a) On 25 March 2002, DTI was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 1 and 9 shares respectively were allotted and issued fully paid for cash at par to Ms. Ma and Ms. Yang.
- (b) On 14 May 2002, DTI acquired 52% equity interest in Yulong Shenzhen from Space Star at a cash consideration of RMB6,210,169 based on the then audited net asset value of Yulong Shenzhen. Immediately after such acquisition, Yulong Shenzhen became owned as to 48% by Yulong Infotech and as to 52% by DTI.
- (c) On 11 June 2002, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each, one of which was allotted and issued at par to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Guo on 25 June 2002.
- (d) On 3 February 2003, Data Dreamland was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 900, 48 and 52 shares respectively were allotted and issued at par to Ms. Yang, Mr. Guo and Ms. Ma.
- (e) On 31 July 2003, the Company entered into an agreement with Data Dreamland, Ms. Yang, Ms. Ma and Mr. Guo whereby Mr. Guo and Ms. Yang transferred 5,000 and 45,000 shares respectively in Yulong Infotech (which, together, constitute the entire issued share capital of Yulong Infotech) to the Company in consideration for which the Company allotted and issued 8,639,999 Shares credited as fully paid to Data Dreamland. Ms. Ma and Ms. Yang transferred 1 and 9 shares respectively in DTI (which, together, constitute the entire issued share capital of DTI) to the Company in consideration for the Company allotting and issuing 9,360,000 Shares credited as fully paid to Data Dreamland. On the same day, Mr. Guo transferred one Share to Data Dreamland in cash at par. Immediately following such allotment, issue and transfer of Shares, the Company became wholly owned by Data Dreamland.
- (f) On 22 August 2003, the authorised share capital of the Company, whether issued or unissued, was re-designated and reclassified as to (a) HK\$40,000 divided into 4,000,000 Preference Shares; and (b) HK\$350,000 divided into 35,000,000 Shares (including HK\$180,000 divided into 18,000,000 Shares which have been allotted and issued as at 31 July 2003). On the same day, 4,000,000 Preference Shares were allotted and issued to JATF for cash at the subscription price of US\$1.00 each. Immediately following such allotment and issue, the Company became owned as to approximately 81.82% by Data Dreamland and 18.18% by JATF.

- (g) On 22 December 2003, the 4,000,000 Preference Shares held by JATF were converted into 4,000,000 Ordinary Shares by redesignating and reclassifying the Preference Shares as Ordinary Shares. On redesignation, the authorised share capital of the Company became HK\$390,000 divided into 39,000,000 Ordinary Shares of HK\$0.01 each and the converted Ordinary Shares rank pari passu in all respects with the Ordinary Shares then in issue and form part of the class of the Ordinary Shares (and cease to form part of the class of Preference Shares for all purposes).
- (h) On 13 February 2004, Yulong Infotech disposed of its interests in 深圳億維數碼科技有限公司 (Shenzhen Yi Wei Digital Technologies Co., Ltd.), a company incorporated in the PRC with limited liability (“Shenzhen Yi Wei”), representing 30% equity interest in Shenzhen Yi Wei, to an Independent Third Party at a consideration of RMB1,500,000, which is equivalent to 30% of the then registered capital of Shenzhen Yi Wei.
- (i) On 30 March 2004, for the purpose of providing additional incentives to the key management who, in the opinion of the trustee of the China Wireless Employee Benefit Trust, has made exceptional contribution to the development of the Group, Data Dreamland transferred 1,320,000 Shares, representing approximately 6% of the then issued share capital of the Company, at a nominal consideration of HK\$1.00, to Wintech Consultants for the setting up of the China Wireless Employee Benefit Trust. Wintech Consultants is the trustee of the China Wireless Employee Benefit Trust. As Data Dreamland was wholly and beneficially owned by Mr. Guo and his associates at the time of transfer and Wintech Consultants is wholly and beneficially owned by Mr. Guo, a nominal consideration was paid for the transfer. According to the trust deed dated 30 March 2004 as amended by the supplemental deed dated 21 November 2004 (the employee trust deed, as amended, shall be referred to as the “Employee Trust Deed”), the trust fund of the China Wireless Employee Benefit Trust consists of (i) trust property as specified under the Employee Trust Deed; (ii) all money, investments or other property paid or transferred by any person to or so as to be put under the control of the trustee to be held upon the China Wireless Employee Benefit Trust and, in either case, accepted by the trustee as additions; (iii) all accumulations of income added to the trust fund; and (iv) the money, investments and property from time to time representing the above. The Employee Trust Deed does not specify a maximum limit of the trust fund under the China Wireless Employee Benefit Trust. As at the Latest Practicable Date, the trust fund of the China Wireless Employee Benefit Trust consists solely of 1,320,000 Shares. The Directors confirmed that the trustee has no present intention to acquire any additional Shares for the benefit of China Wireless Employee Benefit Trust (except for the Capitalisation Issue pursuant to the Share Offer). The trustee holds the entire trust fund upon trust for the beneficiaries who are the employees of the Group as at the date of the Employee Trust Deed and from time to time and which does not exclude connected persons (as defined in the Listing Rules) of the Company (except Mr. Guo, Ms. Yang and Ms. Ma). The duration of the China Wireless Employee Benefit Trust is 80 years from the date of the Employee Trust Deed or as the trustee shall specify (whichever is the earlier). The China Wireless Employee Benefit Trust is a discretionary trust. The trustee shall hold the capital and income of the trust fund upon trust for the benefit of such beneficiaries, at such ages or times, in such shares upon trust, on such terms and

conditions and in such manner generally as the trustee shall in its discretion think fit. The trustee shall have powers and discretions to appoint or apply capital monies to grant options over the Shares (at the expense of trust fund), upon such terms as the trustee may think fit, to the beneficiaries. The trustee may enter into any agreement or contract, on such terms as the trustee may think fit, with the Company and the beneficiaries to enable any beneficiary to acquire and take up the Shares or options over the Shares. The Directors believe that the China Wireless Employee Benefit Trust is a more flexible mechanism in providing incentive to employees of the Group in view of the discretions the trustee of the China Wireless Employee Benefit Trust enjoys in granting incentives to the employees of the Group. The Directors confirmed that as at the Latest Practicable Date, none of the beneficiaries of the China Wireless Employee Benefit Trust has been granted any forms of incentives out of the trust fund by the trustee. The Directors also confirmed that the trustee has no present intention to grant any incentives to any of the beneficiaries prior to the Listing Date.

- (j) On 22 November 2004, Mr. Guo and Ms. Yang set up a discretionary trust, namely the Barrie Bay Trust. On 23 November 2004, the entire issued share capital of Data Dreamland became wholly owned by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust, a unit trust of which 9,999 units are held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Trust and the remaining 1 unit is held by Ms. Yang Hua. The entire issued share capital of Barrie Bay is held by HSBC Trustee. The discretionary objects of the Barrie Bay Trust are the children of Mr. Guo and Ms. Yang who are under 18 years old.

## 5. Changes in share capital of subsidiaries

The subsidiaries of the Company are referred to in the accountants' report, the text of which is set forth in Appendix I to this prospectus.

Changes in the share capital of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus are, as follows:—

- (a) On 6 August 2002, the registered capital of Yulong Shenzhen increased from RMB3,100,000 to RMB10,000,000 and was fully paid up in accordance with the laws and regulations of the PRC.
- (b) On 18 September 2003, the registered capital of Yulong Shenzhen increased from RMB10,000,000 to RMB30,000,000 and was fully paid up in accordance with the laws and regulations of the PRC.

Save as disclosed above and except as referred to in the paragraph headed "Corporate reorganisation" above, there has been no alteration in the share capital of any subsidiary of the Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase by the Company of its own Shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

**(a) Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:—

**(i) Shareholders' approval**

All proposed repurchases of securities, which must be fully paid up in the case of shares, on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by specific approval of a particular transaction.

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*Note:* Pursuant to a written resolution passed by all the Shareholders on 21 November 2004, a general unconditional mandate (the "Repurchase Mandate") was granted to the Directors authorising the repurchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of 40,000,000 Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the Listing Date at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

**(ii) Source of funds**

Any repurchase by a company may only be funded out of funds legally available for such purposes in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands. A company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**(iii) Shares to be repurchased**

The Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

**(b) Reasons for repurchases**

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders to enable the Company to repurchase the Shares in the market. Repurchases of the Shares will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

**(c) *Funding of repurchases***

Repurchase pursuant to the Repurchase Mandate would be financed out of funds of the Company legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

The Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels.

**(d) *Director's undertaking***

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands and the memorandum and articles of association of the Company.

**(e) *Disclosure of interests***

None of the Directors and, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, as defined in the Listing Rules, has any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

No connected person, as defined in the Listing Rules, has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**(f) *Takeovers Code consequences***

If, as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code").

Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of shareholders' interest but subject to the latitude provided by the 2% creeper provision under Rule 26 of the Code, could obtain or consolidate control of the company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. The Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

**FURTHER INFORMATION ABOUT THE BUSINESS****7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material. A copy of every such material contract has been delivered to the Companies Registrar for registration:—

- (a) an agreement dated 31 July 2003 between the Company, Data Dreamland, Ms. Yang, Ms. Ma and Mr. Guo whereby the Company acquired from Ms. Yang and Mr. Guo, and from Ms. Yang and Ms. Ma the entire issued share capital of Yulong Infotech and DTI respectively in consideration for which the Company allotted and issued 17,999,999 Shares credited as fully paid to Data Dreamland as directed by Ms. Yang, Mr. Guo and Ms. Ma;
- (b) a subscription agreement dated 15 August 2003 between the Company, JATF, Data Dreamland, Ms. Yang, Mr. Guo and Ms. Ma whereby JATF agreed to subscribe for 4,000,000 Preference Shares at an aggregate subscription price of US\$4,000,000;
- (c) a shareholders agreement dated 22 August 2003 between the Company, JATF, Data Dreamland, Ms. Yang, Mr. Guo and Ms. Ma which governed certain aspects of the affairs of the Company;
- (d) a deed of indemnity dated 22 August 2003 given by the Company to Mr. Zhong Xiaolin (“Mr. Zhong”) pursuant to which the Company agreed to indemnify Mr. Zhong and/or his alternate, to the fullest extent permitted by laws, from and against all liabilities, damages, actions, suits, proceedings, claims, costs, charges and expenses suffered or incurred by or brought or made against him and/or his alternate as a result of any act, matter or thing done or omitted to be done by him or his alternate in good faith in the course of his or his alternate acting as a director (as the case may be) of the Company;
- (e) a deed of indemnity dated 21 November 2004 entered into between the Company, Mr. Guo, Ms. Yang, Ms. Ma and Mr. Zhong, being a Director during the period from 22 August 2003 to 18 March 2004, in substitution of the deed of indemnity dated 22 August 2003 given by the Company in favour of Mr. Zhong as referred to in item (d) above, and as referred to in the paragraphs headed “Undertaking to an ex-Director” in the section headed “Substantial Shareholders” in this prospectus;
- (f) an agreement dated 13 February 2004 between Yulong Infotech and Kendic Technology Limited whereby Kendic Technology Limited acquired 30% equity interest in Shenzhen Yi Wei at a cash consideration of RMB1,500,000, which is equivalent to 30% of the then registered capital of Shenzhen Yi Wei;
- (g) the Public Offer Underwriting Agreement;
- (h) a deed of indemnity dated 29 November 2004 given by Data Dreamland, Mr. Guo, Ms. Yang and Ms. Ma in favour of the Group containing the indemnities as referred to in the paragraph headed “Estate duty, tax and other indemnities” in the section headed “Other information ” in this appendix; and

- (i) a deed of non-competition dated 21 November 2004 executed by Data Dreamland, Mr. Guo, Ms. Yang and Ms. Ma in favour of the Company referred to in the paragraph headed “Undertaking by controlling Shareholder and certain Directors” in the section headed “Substantial Shareholders” in this prospectus.

#### 8. Particulars of the Group’s subsidiary in the PRC

The Group has a subsidiary in the PRC, the particulars of which are as follows:—

Yulong Shenzhen

|                             |  |
|-----------------------------|--|
| Date of establishment       | : 29 April 1993  |
| Nature of enterprise        | : Wholly foreign-owned enterprise  |
| Total investment            | : RMB30,950,000  |
| Registered capital          | : RMB30,000,000 (according to the PRC Lawyers, the registered capital had been paid up in accordance with the laws and regulations of the PRC) |
| Percentage of equity        | : 100% interests held by the Group   |
| Term of operation           | : 15 years from 29 April 1993 to 29 April 2008   |
| Principal scope of business | : Wireless solutions and equipment provider for the wireless telecommunication market in the PRC   |

## 9. Intellectual Property Rights

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following trademarks:—

| Name of proprietor | Trademark   | Place of registration | Class          | Registration number | Duration of validity                              |
|--------------------|---|-----------------------|----------------|---------------------|---|
| Yulong Shenzhen    |  | PRC                   | 9<br>(Note 1)  | 1012021             | from 21 May 1997 to<br>20 May 2007                |
| Yulong Shenzhen    |  | PRC                   | 9<br>(Note 2)  | 1224953             | from 21 November<br>1998 to<br>20 November 2008   |
| Yulong Shenzhen    |  | PRC                   | 42<br>(Note 3) | 1195939             | from 28 July 1998 to<br>27 July 2008              |
| Yulong Shenzhen    |  | PRC                   | 38<br>(Note 4) | 1211939             | from 28 September<br>1998 to<br>27 September 2008 |
| Yulong Shenzhen    |  | PRC                   | 9<br>(Note 5)  | 3269800             | from 14 October 2003<br>to 13 October 2013        |

Notes:—

- The relevant subject products are 錄制好的計算機程序 (computer software (recorded)), 發射機 (projection apparatus) and 板卡 (circuit breaker).
- The relevant subject products are 計算機 (computers), 數據處理設備 (data processing apparatus), 接口 (計算機用) (connector (for computers)), 計算機周邊設備 (computer peripheral devices), 計算機軟件 (錄制好的) (computer software (recorded)), 監視器 (計算機硬件) (monitors (computer hardware)), 監控器 (計算機程序) (monitors (computer programs)), 磁性識別卡 (magnetic cards (encoded)), 查詢台 (數據加工設備) (enquiry platform (data processing apparatus)), 文字處理機 (word processors), 顯示器 (電子) (electronic monitoring apparatus), 防無線電干擾設備 (anti-interference devices (electricity)), 分線盒 (switchboxes (electricity)), 內部通訊裝置 (intercommunication apparatus), 中繼線箱 (distribution boxes), 無線電天線塔 (masts for wireless aerials), 成套無線電話 (portable telephones), 電話受話器 (telephone receivers), 電話機 (telephone), projection apparatus (electronic signal), 收話器 (receivers (telephone)), 電話送話器 (telephone transmitters), 電子信號發射機 (projection apparatus (electronic signal)), 無線 (系統) (electric wires), 聲音尋踪儀 (sound locating instruments), 導航遙測設備 (automatic steering apparatus for vehicles), 驅動斬波器 (activation chopper), 光通訊設備 (optical apparatus), 電話設備 (telephone apparatus), and 載波設備 (carrier equipment).
- The relevant subject product is 計算機軟件設計 (computer software design).
- The relevant subject products are communications by 計算機終端聯絡 (computer terminals), 信息發送設備出租 (rental of message sending apparatus), 電信信息 (information about telecommunication), 電話通訊 (communications by telephone), 電話業務 (telephone services), 傳呼服務 (無線電或電話) (paging services (wireless or telephone)), and 電子郵遞 (electronic mail).
- The relevant subject products are 便攜計算機 (laptop computers), 照相機 (cameras), 文字處理機 (word processors), 計算機軟件 (已錄制) (computer software (recorded)), 信息處理機 (data processing apparatus), 電子字典 (electronic dictionaries), 成套無線電話機 (portable telephones), 尋呼機 (pagers), 可視電話 (video telephones), 音響 (Hi-Fi).

As at the Latest Practicable Date, the Group had applied for the registration of the following trademarks, the registration of which has not yet been granted:—

| Applicant       | Trademark   | Place of application | Class | Application date               | Application number |
|-----------------|---|----------------------|-------|--------------------------------|--------------------|
| Yulong Shenzhen |    | PRC                  | 38    | 7 January 2003<br>(Note 6)     | 3428086            |
| Yulong Shenzhen | <i>CoolPno</i> 酷派   | PRC                  | 9     | 29 July 2003<br>(Note 7)       | 3651568            |
| Yulong Shenzhen |    | PRC                  | 35    | 29 July 2003<br>(Note 8)       | 3651569            |
| Yulong Shenzhen |    | PRC                  | 42    | 29 July 2003<br>(Note 9)       | 3651565            |
| Yulong Shenzhen |    | PRC                  | 9     | 17 September 2003<br>(Note 10) | 3721175            |
| Yulong Shenzhen | <i>LiNUOS</i>   | PRC                  | 9     | 28 October 2003<br>(Note 11)   | 3772042            |
| Yulong Shenzhen | <i>CoTime</i> 酷派时空  | PRC                  | 35    | 27 November 2003<br>(Note 12)  | 3818572            |
| Yulong Shenzhen | <i>CoTime</i> 酷派时空  | PRC                  | 42    | 27 November 2003<br>(Note 13)  | 3818558            |
| Yulong Shenzhen |  | PRC                  | 38    | 23 December 2003<br>(Note 14)  | 3856807            |
| Yulong Shenzhen |  | PRC                  | 38    | 23 December 2003<br>(Note 15)  | 3856808            |
| The Company     |  | Hong Kong            | 16    | 12 November 2004<br>(Note 16)  | 300318168          |

Note:—

6. The relevant subject products are 無線電廣播 (radio broadcasting), 有線電視播放 (cable television broadcasting), 移動電話通訊 (wireless telephone communication), 計算機終端通訊 (computer terminal communication), 計算機輔助信息和圖像傳送 (computer supplemental information and figure transmission), 電子郵件 (electronic mails), 傳真發送 (facsimile), 電訊信息 (telecommunication information), 電信信息 (telegraph information), 尋呼 (無線電、電話或其他通訊工具) (paging (radio, telephone, and other communication devices)).

7. The relevant subject products are 便攜計算機 (laptop computers), 照相機 (cameras), 文字處理機 (word processors), 計算機軟件 (computer software), 信息處理機 (data processing apparatus), 電子字典 (electronic dictionaries), 成套無線電話機 (portable telephones), 尋呼機 (pagers), 可視電話 (video telephones), 音響 (Hi-Fi).
8. The relevant subject products are 數據通訊網絡上的在線廣告 (on-line advertising on a computer network), 廣告策劃 (advertising management), 經濟預測 (economic forecasting), 商業信息 (business information), 進出口代理 (import-export agencies), 人事管理諮詢 (personnel management consultancy), 將信息編入計算機數據庫 (compilation of information into computer databases), 計算機數據庫信息系統化 (systemisation of information into computer databases), 在計算機檔案中進行數據檢索 (替他人) (data search in computer files for others), 計算機錄入服務 (computer input services).
9. The relevant subject services are 知識產權諮詢 (intellectual property consultancy), 技術研究 (technical research), 質量體系認證 (quality control), 校準 (測量) (proving (surveying)), 氣象預報 (weather forecasting), 工業品外觀設計 (industrial design), 室內裝飾設計 (design of interior decor), 服裝設計 (dress designing), 主持計算機站 (網站) (maintaining websites for others), 為計算機用戶間交換數據提供即時連接服務 (provide instant connection service for exchange of data between computer users).
10. The relevant subject products are 計算機軟件 (computer software), 計算機程序 (computer programmes), 車輛用導航儀器 (隨車計算機) (automatic steering apparatus for vehicles), 錄音載體 (sound recording carriers), 照相機 (攝影) (cameras), 手提電話 (portable telephones), 音頻視頻收音機 (radiotelegraphy sets).
11. The relevant subject products are 計算機軟件 (computer software), 計算機程序 (computer programmes), 車輛用導航儀器 (隨車計算機) (automatic steering apparatus for vehicles), 錄音載體 (sound recording carriers), 照相機 (攝影) (cameras), 手提電話 (portable telephones), 音頻視頻收音機 (radiotelegraphy sets).
12. The relevant subject services are 提供商業信息 (business information), 商業信息檢索 (business inquiries), 廣告 (advertising), 數據處理 (data processing), 與數據庫和因特網有關的商業信息服務 (business information service related to the database and the Internet), 計算機數據庫管理 (management of computer databases), 通過在線計算機數據庫或依靠因特網主頁提供信息服務 (provision of information services through online computer databases or the Internet), 通過在線計算機數據庫或依靠因特網主頁提供推銷服務 (provision of sales services through online computer databases or the Internet), 提供電子平台以供使用者通過計算機或無線通訊系統進行商業活動 (providing an electronic platform for users to conduct businesses using computers or wireless communications systems), 電話應接和訊息處理服務, 商業促銷管理, 商業激勵計劃管理 (telephone call waiting and information processing services, management of business sales, management of business encouragement plans).
13. The relevant subject services are 計算機服務 (computer services), 計算機網絡服務 (computer network services), 提供網絡站點服務 (provision of website services), 通過計算機存儲商業或非商業數據 (storage of business and non-business data in computers), 通過計算機提供電子數據 (provision of electronic data through computers), 網站設計服務 (website design services), 為編輯互聯網網頁而設計作品 (designing for website designs), 與電訊網絡和系統有關的研究和發展服務 (research and development relating to telecommunication networks and systems), 與互聯網有關的研究和發展服務 (research and development services relating to the Internet), 與通訊有關的研究和發展服務 (research and development services relating to communications).
14. The relevant subject services are 電視播放 (television broadcasting), 電話通訊 (communications by telephone), 移動電話通訊 (communications by portable telephone), 計算機終端通訊 (communications by computer terminals), 計算機輔助信息與圖像傳輸 (computer aided transmission of messages and images), 電子信件 (electronic mail), 電信信息 (information about telecommunication), 尋呼 (無線電、電話或其他通訊工具) (paging services (radio, telephone or other means of electronic communication)), 信息傳輸設備出租 (rental of telecommunication equipment), 信息傳送 (transmission of information).
15. The relevant subject services are 電視播放 (television broadcasting), 電話通訊 (communications by telephone), 移動電話通訊 (communications by portable telephone), 計算機終端通訊 (communications by computer terminals), 計算機輔助信息與圖像傳輸 (computer aided transmission of messages and images), 電子信件 (electronic mail), 電信信息 (information about telecommunication),

尋呼(無線電、電話或其他通訊工具)(paging services (radio, telephone or other means of electronic communication)), 信息傳輸設備出租 (rental of telecommunication equipment), 信息傳送 (transmission of information).

16. The relevant subject products are magazines; periodicals; newsletters; circulars; books, leaflets and publications; posters; calendars; stationery; writing papers; notepads; memo pads; diaries; bookbinding materials; ringbinders; playing cards; postcards; timetable; writing and drawing instruments and refills therefor; inks; markers; pens; pencils; pencil cases; folders; erasers; labels; envelopes; organisers; adhesives for stationery or household purposes; adhesive tapes and bands for stationery or household purposes; manifolds (stationery); gums for stationery and household purposes; paint brushes; materials for packaging of paper and cardboard; plastic materials for packaging (not included in other classes); wrapping or packing materials of paper; packaging containers of paper; paper and cardboard goods; boxes; bags made of paper and plastic; marketing and promotional materials; printed advertisements; advertisement of paper or cardboard; signboards of paper or cardboard; printed research; printed matters; instructional and teaching materials; yearbooks; souvenir booklets; written analysis and reports; catalogues; manuals and pamphlet; document files; graphic prints; pictures; photographs.

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following patents for design:—

| Name of proprietor | Title of patent for design                                 | Place of registration | Patent number   | Terms of patent                     |
|--------------------|--|-----------------------|-----------------|-------------------------------------|
| Yulong<br>Shenzhen | 無線數據終端(酷派388)<br>(Wireless Data Terminal<br>(Coolpad 388)) | PRC                   | ZL 02 3 38011.X | 26 August 2002 to<br>25 August 2012 |
| Yulong<br>Shenzhen | 手機(宇龍)<br>(Handset (Yulong))                               | PRC                   | ZL 033525285    | 17 June 2003 to<br>16 June 2013     |

As at the Latest Practicable Date, the Group had applied for the registration of the following patents for design, the registration of which has not yet been granted:—

| Applicant          | Title of patent for design  | Place of registration | Application date    | Application number |
|--------------------|---|-----------------------|---------------------|--------------------|
| Yulong<br>Shenzhen | 三鍵集中輸入法切換<br>與瀏覽式信息處理裝置<br>(Three keys centralised input<br>method of switching and<br>browsing information<br>processing installments) | PRC                   | 20 December<br>2002 | 02158024.3         |
| Yulong<br>Shenzhen | 手機(酷派828)<br>(Handset (Coolpad 828))  | PRC                   | 31 March 2004       | 200430037345.1     |
| Yulong<br>Shenzhen | 一種基於關鍵字搜索<br>的移動互聯網智能<br>信息搜索引擎<br>(A kind of mobile Internet<br>intelligent information<br>search engine based on<br>key word search)  | PRC                   | 31 March 2004       | 200410026674.5     |