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# CHINA WIRELESS TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

## PLACING OF EXISTING SHARES, SUBSCRIPTION OF NEW SHARES AND RESUMPTION OF TRADING

Placing Agent



**KingswayGroup**

Kingsway Financial Services Group Limited

Financial Advisor



**KingswayGroup**

Kingsway Capital Limited

On 4 January 2006, the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement.

Pursuant to the Placing and Subscription Agreement, the Placing Agent would, on a best effort basis, procure investors to purchase and the Vendor would sell, up to 40,000,000 existing Shares, at a price of HK\$1.22 per Share.

Pursuant to the Placing and Subscription Agreement, the Vendor conditionally agreed to subscribe for up to 40,000,000 Shares at a price of HK\$1.22 per Share. The Subscription Shares of 40,000,000 Shares represent (i) approximately 9.07% of the existing issued share capital of the Company; and (ii) approximately 8.32% of the issued share capital of the Company as enlarged by the Subscription.

The Placing Price (and the Subscription Price) of HK\$1.22 represents:

- (i) a discount of about 6.2% to the closing price of HK\$1.30 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of about 0.7% to the average closing price per Share of HK\$1.212 as quoted on the Stock Exchange for the last five full trading days up to and including the Last Trading Day; and
- (iii) a premium of about 8.5% to the average closing price per Share of HK\$1.124 as quoted on the Stock Exchange for the last ten full trading days up to and including the Last Trading Day.

The Subscription is conditional upon, among other things, (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; and (ii) the completion of the Placing.

Assuming 40,000,000 Shares are issued by the Company and subscribed for by the Vendor under the Subscription, the net proceeds to be received by the Company from the Subscription of about HK\$47.6 million will be applied as to (i) approximately HK\$40 million for the purchase of materials and components; and (ii) approximately HK\$7.6 million for marketing and promotion.

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 3 January 2006 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 January 2006.

## **THE PLACING AND SUBSCRIPTION AGREEMENT**

### **Date**

4 January 2006

### **Parties involved**

- (a) the Vendor
- (b) the Company
- (c) the Placing Agent

### **1. The Placing**

#### *Placing Agent*

Kingsway is the sole Placing Agent. The Placing Agent is 1) not a connected person of the Company; 2) independent from the Company; 3) independent from the connected persons of the Company.

#### *Number of Placing Shares*

The Placing Shares of up to 40,000,000 Shares represent approximately 9.07% of the existing issued share capital of the Company.

#### *Placees*

The Placing Shares will be placed to not less than six placees who will be independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners (i) are not connected persons (as defined in Listing Rules) of the Company; and (ii) are independent of the Company and its connected persons (as defined in the Listing Rules) and other placees. None of the placees nor their respective ultimate beneficial owners will be a substantial shareholder of the Company immediately following the completion of the Placing.

#### *Placing Price*

The Placing Price (and the Subscription Price) of HK\$1.22 represents:

- (i) a discount of about 6.2% to the closing price of HK\$1.30 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of about 0.7% to the average closing price per Share of HK\$1.212 as quoted on the Stock Exchange for the last five full trading days up to and including the Last Trading Day; and
- (iii) a premium of about 8.5% to the average closing price per Share of HK\$1.124 as quoted on the Stock Exchange for the last ten full trading days up to and including the Last Trading Day.

The Placing Price was determined on 4 January 2006 and was negotiated on an arm's length basis amongst the parties by reference to, among other things, the recent trading price of the Shares. The Directors consider that the discount is reasonable and comparable to similar recent top-up placing transactions in the market.

#### *Rights*

The Placing Shares will be sold free of any encumbrances and third-party rights. The placees will receive all dividends and distributions declared, made or paid on or after completion of the Placing.

#### *Condition of the Placing*

The Placing is unconditional.

#### *Completion of the Placing*

The Placing is expected to be completed on 10 January 2006 or on such other date as may be agreed between the Vendor and the Placing Agent.

## **2. The Subscription**

#### *Number of Subscription Shares*

The number of Subscription Shares is equivalent to the number of Placing Shares, being up to 40,000,000 Shares which represent approximately 8.32% of the issued share capital of the Company as enlarged by the Subscription.

#### *Subscription Price*

The Subscription Price is HK\$1.22 per Share. The Subscription Price is the same as the Placing Price and is determined after arm's length negotiation amongst the parties.

#### *Mandate to issue new Shares*

The Subscription Shares will be issued under the general mandate ("General Mandate") granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 24 May 2005. As at the date of this announcement, 40,000,000 Shares has been issued and allotted pursuant to such general mandate in a top-up placement in December 2005 ("Top-up Placement"), representing 50% of the General Mandate. If up to 40,000,000 Subscription Shares will be allotted and issued, 100% of the General Mandate will be utilised.

#### *Ranking of Subscription Shares*

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

#### *Conditions of Subscription*

The Subscription is conditional upon, among others, (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; and (ii) completion of the Placing. Application will be made to the Stock Exchange to grant the approval for the listing of, and permission to deal in, the Subscription Shares.

#### *Completion of Subscription*

Under Rule 14A.31(3)(d) of the Listing Rules, the Subscription is expected to be completed within 14 days after the date of the Placing and Subscription Agreement, that is, on or before 18 January 2006.

In the event that the conditions to the Placing and Subscription Agreement are not fulfilled by 4:00 p.m. on 17 January 2006 (or such later date as the Company, the Vendor and the Placing Agent may agree), the rights and obligations of the Company and the Vendor in relation to the Subscription under the Placing and Subscription Agreement shall lapse and be of no further effect, in which event the

Company and the Vendor shall be released from such obligations without any liability save as to any antecedent breach and provided that any right or remedies which shall have accrued shall not be prejudiced or affected.

## EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholding structure of the Company immediately before and after the Placing and the Subscription is summarised as follows. (Note 1)

Name of Shareholders	Existing no. of shares held	Approximate %	No. of shares held after Placing but before Subscription		No. of shares held after Placing and Subscription	
			Approximate %	Approximate %	Approximate %	Approximate %
Vendor & parties acting in concert with it						
Vendor (Note 4)	207,792,812	47.12%	167,792,812	38.05%	207,792,812	43.20%
Wintech Consultants Limited (Note 5)	18,000,000	4.08%	18,000,000	4.08%	18,000,000	3.74%
Sub-total	225,792,812	51.20%	185,792,812	42.13%	225,792,812	46.94%
JAFCO Asia Technology Fund	39,079,188	8.86%	39,079,188	8.86%	39,079,188	8.12%
Public	176,128,000	39.94%	176,128,000	39.94%	176,128,000	36.62%
Placees	—	0.00%	40,000,000	9.07%	40,000,000	8.32%
<b>Total</b>	<b>441,000,000</b>	<b>100%</b>	<b>441,000,000</b>	<b>100%</b>	<b>481,000,000</b>	<b>100%</b>

Note 1: Assuming no Shares are issued as a result of the exercise of options pursuant to the share option scheme of the Company between the date of the Placing and the Subscription

Note 2: Assuming the maximum number of 40,000,000 Placing Shares have been placed

Note 3: Assuming the maximum number of 40,000,000 Subscription Shares have been subscribed

Note 4: The entire issued share capital of the Vendor is held by Barrie Bay Limited. Barrie Bay Limited is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust of which 9,999 units are held by HSBC International Trustee Limited, which is acting as the trustee of the Barrie Bay Trust and the remaining 1 unit is owned by Ms. Yang Hua. The Barrie Bay Trust is a discretionary trust set up by Mr. Guo Deying (“Mr. Guo”), an executive Director and Ms. Yang Xiao (“Ms Yang”), the spouse of Mr. Guo and a non-executive Director, and the discretionary objects of which include the children of Mr. Guo and Ms. Yang who are under 18 years old. Each of Mr. Guo and Ms. Yang is taken to be interested in the 207,792,812 shares held by the Vendor as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their children under the Barrie Bay Trust.

Note 5: Mr. Guo is taken to be interested in the 18,000,000 shares held by Wintech Consultants Limited as he is interested in the entire issued share capital of Wintech Consultants Limited. In addition, Mr. Jiang Chao, an executive director, is taken to be interested in the 18,000,000 shares held by Wintech Consultants Limited as he is one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group.

## REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Placing and the Subscription represents an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company. In addition, the Board considered that it is a valuable opportunity to raise funds in the current market situation for the Company’s future expansion, including purchasing of materials and components.

The Directors have considered other types of fund raising arrangement and consider that the current arrangement is the most efficient way in terms of time and cost for the Company to take advantage of current stock market opportunity.

Assuming 40,000,000 new Shares are issued by the Company and subscribed for by the Vendor under the subscription, the gross proceeds will be HK\$48.8 million. The net proceeds, after deducting related placing commission, professional fees and all related expenses incurred in the Placing and the Subscription, which

will be borne by the Company from the Subscription are expected to be approximately HK\$47.6 million. The net proceeds will be applied as to (i) approximately HK\$40 million for the purchase of materials and components; and (ii) approximately HK\$7.6 million for marketing and promotion.

The net proceeds raised under the Subscription is equivalent to a net placing price of about HK\$1.19 per Share.

The Directors, including the independent non-executive Directors and the non-executive Directors, consider that the terms of the Placing and the Subscription, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

The Company was listed on the Stock Exchange on 9 December 2004. The net proceeds from the listing of the Company, as disclosed in the Company's prospectus (the "Prospectus") dated 30 November 2004, after deducting estimated underwriting commission and issue expenses were approximately HK\$70 million and were used largely as set out in the Prospectus. Details of the use of proceeds as at the date of this announcement are as follows:

	<i>HK\$</i>
Balance as at 1 January 2005	70 million
Proceeds used during the period, including:	
For strengthening research and development capabilities	25 million
For the manufacturing and marketing of smartphones	25 million
For promotion of overall corporation image	9 million
For enhancing the Group's network for sales and provision of customer support services	5 million
For working capital	<u>1 million</u>
Balance as at 5 January 2006	5 million

The Company will continue to use the remaining HK\$5 million for strategic investments in wireless technologies companies, as stated in the Prospectus. As at the date hereof, there was no specific target, negotiation, concrete plan in relation to the proposed strategic investments. Such remaining proceeds are currently placed on short-term deposits.

The Company placed 40,000,000 new Shares via the Top-up Placement in December 2005, from which net proceeds of approximately HK\$40.5 million were raised. Such proceeds has been applied for use as general working capital of the Group, of which approximately HK\$35 million has been used for the purchase of materials and components for smartphone products, and of which approximately HK\$5.5 million has been used for promotion of overall corporate and brand image and enhancing the sales network. Please refer to the announcement of the Company dated 7 December 2005 for further details of the Top-up Placement.

Save as disclosed above, there was no equity fund raising activity conducted by the Company in the 12 months immediately preceding the date of this announcement.

## **GENERAL**

The principal business of the Group is the provision of wireless solution and equipment in the PRC.

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 3 January 2006 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 January 2006.

## TERMS AND DEFINITIONS

“associates”	has its meaning as defined in the Listing Rules
“Board”	The board of directors of the Company
“Company”	China Wireless Technologies Limited, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Shares”	An aggregate of 441,00,000 existing Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kingsway”	Kingsway Financial Services Group Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Last Trading Day”	30 December 2005, being the last full trading day for the Shares prior to this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of up to 40,000,000 existing Shares owned by the Vendor on best effort basis pursuant to the terms of Placing and Subscription Agreement
“Placing Agent”	Kingsway
“Placing and Subscription Agreement”	the placing and subscription agreement entered into among the Vendor, the Company and the Placing Agent dated 4 January 2006 in relation to the Placing and the Subscription
“Placing Price”	HK\$1.22 per Share
“Placing Shares”	up to 40,000,000 existing Shares beneficially owned by the Vendor and to be placed pursuant to the Placing and Subscription Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of up to 40,000,000 new Shares pursuant to the terms of Placing and Subscription Agreement
“Subscription Price”	HK\$1.22 per Share

“Subscription Shares”	the total of 40,000,000 new Shares to be subscribed for by the Vendor pursuant to the Placing and Subscription Agreement
“Vendor”	Data Dreamland Holding Limited, a company incorporated in British Virgin Islands, the entire issued share capital of which is owned by Barrie Bay Limited which is acting as the trustee of the Barrie Bay Unit Trust
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board  
**China Wireless Technologies Limited**  
**GUO Deying**  
*Chairman*

Hong Kong, 5 January 2006

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Guo Deying and Mr. Jiang Chao; two non-executive Directors, namely, Ms. Yang Xiao and Ms. Ma Dehui and three independent non-executive Directors, namely, Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Chan King Chung.*