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10 Attorneys for Plaintiff  
11 NEW WORLD TMT LIMITED

12 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
13 COUNTY OF SANTA CLARA

14 NEW WORLD TMT LIMITED, a  
15 Cayman Islands, Corporation,

16 Plaintiff,

17 vs.

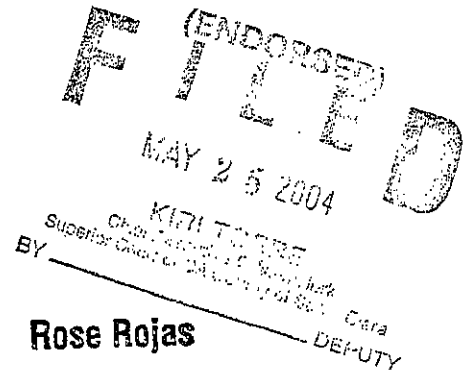
18 PREDIWAVE CORPORATION, a  
California Corporation;  
19 CYBERLANCET, CORPORATION,  
a California Corporation;  
20 CYBERNOVA CORPORATION, a  
California Corporation;  
21 TECHSTOCK, INC., a California  
Corporation; WAPER  
CORPORATION, a California  
22 Corporation; VISIONAIRE  
TECHNOLOGY CORPORATION, a  
23 California Corporation; S.T.U.B.  
SATERTAINMENT, INC., a Cayman  
24 Islands Corporation; ATHENA  
DATABASE, INC., a Delaware  
25 Corporation; PINE GLOBAL  
MARKETING LIMITED, a Delaware  
26 Corporation; JIANPING "TONY"  
QU, an individual; and DOES 1-25,  
27 inclusive,

28 Defendants.

CASE NO.

COMPLAINT FOR:

- (1) FRAUD
- (2) BREACH OF FIDUCIARY DUTIES
- (3) NEGLIGENT MISREPRESENTATION
- (4) BREACH OF WRITTEN AND ORAL CONTRACTS
- (5) BREACH OF WRITTEN CONTRACTS
- (6) BREACH OF EXPRESS WARRANTIES
- (7) BREACH OF IMPLIED WARRANTIES
- (8) VIOLATION OF CAL. BUS. & PROF. CODE §§ 17200 ET SEQ.
- (9) DECLARATORY RELIEF



104 CV020369

1 Plaintiff New World TMT, Limited (formerly known as New World  
2 Infrastructure Ltd.) (“New World”) for its causes of action against individual defendant  
3 Jianping “Tony” Qu (“Tony Qu”) and corporate defendants PrediWave Corporation  
4 (“PrediWave”), CyberLancet Corporation (“CyberLancet”), CyberNova Corporation  
5 (“CyberNova”), TechStock, Inc. (“TechStock”), Warpera Corporation (“WarpEra”),  
6 Visionaire Technology Corporation (“Visionaire”), S.T.U.B. SATertainment, Inc.  
7 (“S.T.U.B.”), Athena Database, Inc. (“Athena”) and Pine Global Marketing Limited  
8 (“Pine Global”) (the corporate defendants are collectively referred to herein as the  
9 “PrediWave Companies”) and Does 1 through 25, inclusive, (all defendants are  
10 collectively referred to herein as “Defendants”), and each of them, hereby complains and  
11 alleges as follows:

### 12 13 NATURE OF THE ACTION

14  
15 1. In the year 2000, New World and Defendants entered into a business  
16 venture whereby New World would become the exclusive distributor in China of  
17 Defendants’ Video on Demand Set Top Boxes (“VOD STBs”) for home television usage.  
18 Defendants represented that they would be able to provide a state of the art and  
19 comprehensive VOD STB system (for a price of \$435.00 per unit) that could work with  
20 the existing infrastructure in China without substantial capital investments.

21 2. To date, New World has paid Defendants over Seven Hundred  
22 Million Dollars (US\$700,000,000). In return, New World has received approximately  
23 seven thousand (7000) substandard VOD STB units that: (a) do not conform with the  
24 representations and warranties made by Defendants; (b) do not function properly with the  
25 existing infrastructure in China; and (c) do not have the technology and features necessary  
26 to be commercially acceptable in China. Defendants have further failed to satisfy their  
27 contractual obligations to deliver the VOD STBs on schedule, resulting in the loss of  
28 licenses and permits in China and allowing competitors to control the market in China.

1 By failing to timely deliver a fully functional VOD STB system, Defendants have  
2 breached their agreements and warranties with respect to New World and New World has  
3 lost the opportunity to compete in the VOD STB market in China -- which was the  
4 fundamental purpose of the parties' business venture.

5  
6 3. Defendants obtained over Seven Hundred Million Dollars  
7 (US\$700,000,000) from New World through a series of misrepresentations and false  
8 promises regarding the capabilities of their VOD STB system and by failing to disclose  
9 the serious defects and flaws with their technology and VOD STB system. In doing so,  
10 Defendants breached their fiduciary duties to New World and committed fraud.

11 4. In addition, Defendant Tony Qu (the president and founder of the  
12 Defendant PrediWave Companies) has misappropriated substantial funds invested by New  
13 World into the PrediWave Companies. To date, Defendant Tony Qu has taken over  
14 Ninety-Five Million Dollars (US\$95,000,000) in "bonuses" from the funds invested by  
15 New World into the PrediWave Companies. Tony Qu has further directed the PrediWave  
16 Companies to spend approximately Eight Million Dollars (US\$8,000,000) of New  
17 World's funds to: (a) purchase real estate from Tony Qu; (b) purchase automobiles for  
18 Tony Qu; and (c) to improve personal real estate owned by Tony Qu.

19 5. By this lawsuit, New World: (a) seeks an injunction restraining  
20 Defendants from transferring, without New World's express authorization, any of the  
21 funds that still exist in the bank accounts of the PrediWave Companies; (b) restitution of  
22 all "bonuses" and other amounts taken by Tony Qu; (c) rescission of all agreements  
23 between New World and Defendants; (d) restitution of all funds invested and paid by New  
24 World to the PrediWave Companies; (e) damages caused by Defendants' breaches of their  
25 agreements and warranties, breaches of their fiduciary duties and fraud; and (f) punitive  
26 damages for Defendants' willful misconduct.  
27  
28

THE PARTIES

1  
2           6.     Plaintiff New World is, and at all relevant times herein has been, a  
3 Cayman Islands corporation with its principal place of business in Hong Kong, China.  
4

5           7.     New World is informed and believes and based thereon alleges that  
6 Defendant Tony Qu is a citizen of the state of California who resides in San Jose,  
7 California.  
8

9           8.     New World is informed and believes and based thereon alleges that  
10 Defendant PrediWave is, and at all relevant times mentioned herein has been, a  
11 corporation organized and existing under the laws of the State of California, with its  
12 principal place of business in Fremont, California.

13           9.     New World is informed and believes and based thereon alleges that  
14 Defendant CyberLancet is, and at all relevant times mentioned herein has been, a  
15 corporation organized and existing under the laws of the State of California, with its  
16 principal place of business in Fremont, California.  
17

18           10.    New World is informed and believes and based thereon alleges that  
19 Defendant CyberNova is, and at all relevant times mentioned herein has been, a  
20 corporation organized and existing under the laws of the State of California, with its  
21 principal place of business in Fremont, California.

22           11.    New World is informed and believes and based thereon alleges that  
23 Defendant TechStock is, and at all relevant times mentioned herein has been, a  
24 corporation organized and existing under the laws of the State of California, with its  
25 principal place of business in Fremont, California.  
26

27           12.    New World is informed and believes and based thereon alleges that  
28 Defendant WarpEra is, and at all relevant times mentioned herein has been, a corporation

1 organized and existing under the laws of the State of California, with its principal place of  
2 business in Fremont, California.

3  
4 13. New World is informed and believes and based thereon alleges that  
5 Defendant Visionaire is, and at all relevant times mentioned herein has been, a  
6 corporation organized and existing under the laws of the State of California, with its  
7 principal place of business in Fremont, California.

8  
9 14. New World is informed and believes and based thereon alleges that  
10 Defendant S.T.U.B. is, and at all relevant times mentioned herein has been, a corporation  
11 organized and existing under the laws of the Cayman Islands, with its principal place of  
12 business is in Fremont, California.

13  
14 15. New World is informed and believes and based thereon alleges that  
15 Defendant Athena is, and at all relevant times mentioned herein has been, a corporation  
16 organized and existing under the laws of the State of Delaware, with its principal place of  
17 business in Fremont, California.

18  
19 16. New World is informed and believes and based thereon alleges that  
20 Defendant Pine Global is, and at all relevant times mentioned herein has been, a  
21 corporation organized and existing under the laws of the Delaware, with its principal place  
22 of business in Fremont, California.

23  
24 17. New World does not know the true names and capacities, whether  
25 individuals, corporations, partnerships, joint ventures, sole proprietorships or otherwise, of  
26 Defendant Does 1 through 25, inclusive, and therefore sues said Defendants by such  
27 fictitious names. New World will amend its complaint to show the true names and  
28 capacities of said Doe Defendants when they become known. New World is informed  
and believes and based thereon alleges that each fictitiously named Defendant is

1 responsible in some manner for the occurrences and wrongdoing herein alleged, and that  
2 New World's damages were proximately caused by each Defendant's acts.

3  
4 18. New World is informed and believes and based thereon alleges that  
5 each of the Defendants are, and at all times mentioned herein were and have been the  
6 employers, agents, servants and/or employees of each of the other Defendants, and in  
7 doing the things herein mentioned were acting within the scope of their authority as such  
8 employer, agent, servant or employee with the permission and consent of the other  
9 Defendants.

10 19. New World is informed and believes and based thereon alleges that  
11 each of the Defendants is responsible in some manner for the occurrences alleged herein  
12 and that New World's damages as alleged herein were proximately caused by their  
13 conduct.

#### 14 JURISDICTION AND VENUE

15 20. The Court has jurisdiction over the subject matter of this action  
16 pursuant to 410.10 and 410.40.

17  
18 21. Venue in this Court is proper pursuant to California Code of Civil  
19 Procedure Section 395 and 395.5.

#### 20 FACTS COMMON TO ALL CLAIMS

##### 21 22 A. Defendants Fraudulently Induce New World To Enter Into A Business 23 Venture To Produce And Sell VOD STBs In China.

24 22. New World is the telecommunications, media and technology  
25 company of the New World Group, a prominent Hong Kong conglomerate. New World is  
26 in the business of investing in and commercializing technology solutions and services for  
27 high-growth telecommunications, media and technology markets in China. To that end,  
28

1 New World was seeking to compete in the newly emerging market in China for  
2 technology to deliver cable and satellite television transmissions.

3           23. In or about the year 2000, Tony Qu and PrediWave represented to  
4 New World, both orally and in writing, that they had “pioneered the world’s most  
5 advanced cable and satellite delivery system” that could be deployed anywhere in the  
6 world, including China. Tony Qu and PrediWave called their “revolutionary” technology  
7 the “PrediWave Solution.”  
8

9           24. According to Tony Qu and PrediWave, the “Prediwave Solution”  
10 permitted satellite, cable and broadcast companies to deliver an unlimited choice of  
11 movies to an unlimited number of customers who purchased VOD STBs and that viewers  
12 would be able to order any movie, anytime, anywhere by using the VOD STBs. Tony Qu  
13 and PrediWave further represented that the advantage of their system over competitors  
14 was that their system could work with the existing infrastructure in China because it  
15 operated like a television transmission. According to Tony Qu and PrediWave, this would  
16 allow cable and satellite operators to deploy their system in China without having to make  
17 substantial capital investments and improvements on infrastructure.

18           25. These representations were false in that: (1) the VOD STBs could not  
19 work with the existing infrastructure in China; (2) the deployment of PrediWave’s system  
20 in China would require substantial capital investments and improvements on  
21 infrastructure; and (3) customers who owned a VOD STB in China could not order any  
22 movie, anytime, anywhere by using the VOD STB due to defects and flaws in the  
23 technology and design.  
24

25           26. Tony Qu and PrediWave knew that these representations were false  
26 when made, and/or recklessly made the representations without a reasonable belief that  
27 they were true and/or negligently made the representations. Moreover, Tony Qu and  
28 PrediWave fraudulently concealed material information from New World, including but

1 not limited to the facts that: (a) the VOD STBs could not work with the existing  
2 infrastructure in China; (b) the deployment of PrediWave's system would require  
3 substantial capital investments and improvements on infrastructure in China; and (c)  
4 customers could not order any movie, anytime, anywhere by using the VOD STBs due to  
5 defects and flaws in the technology and design.

6  
7 27. In reliance on Tony Qu and PrediWave's false representations and  
8 material non-disclosures, New World was fraudulently induced to enter into a  
9 Memorandum of Understanding (MOU) with PrediWave regarding the VOD STB project  
10 on April 27, 2000, and an amendment to that MOU dated May 12, 2000. The  
11 fundamental purpose of the parties' business venture was to produce a commercially  
12 acceptable VOD STB for sale in China. Pursuant to the parties' written and oral  
13 agreements, and course of dealings, the parties agreed that New World would become the  
14 exclusive distributor of PrediWave's VOD STBs in China, and would purchase the VOD  
15 STBs and related hardware and software from PrediWave.

16 28. In order to further fund this business venture, on or about May 25,  
17 2000, the parties executed a Series A Preferred Stock Purchase Agreement, whereby New  
18 World purchased one hundred percent (100%) of the preferred shares of PrediWave for  
19 Thirty Five Million Dollars (US\$35,000,000) (the "PrediWave Stock Purchase  
20 Agreement"). A true and correct copy of the PrediWave Stock Purchase Agreement is  
21 attached hereto as Exhibit "A."

22 29. Pursuant to the PrediWave Stock Purchase Agreement, New World  
23 received a 30% interest in PrediWave and received the right to appoint two New World  
24 representatives to PrediWave's board of directors.  
25  
26  
27  
28



1 **B. Defendants Continue To Defraud New World Into Investing And Spending**  
2 **Over \$700 Million For A Fatally Flawed VOD STB System.**

3 30. After the execution of the PrediWave Stock Purchase Agreement,  
4 Tony Qu and PrediWave represented to New World that PrediWave's VOD STB system  
5 would be commercially acceptable in China through the inclusion of improved and  
6 additional features most notably Video on Demand, Video on Request and Digital  
7 Broadcasting as well as Text on Demand, Digital Video Recording, MyTV, Conditional  
8 Access, a Billing System and a Web Browser. The parties recognized that such features  
9 were critical in order to produce a commercially acceptable VOD STB for sale in China.

10  
11 31. Tony Qu and PrediWave knew that these representations were false  
12 when made, and/or Tony Qu and PrediWave recklessly made the representations without  
13 a reasonable belief that they were true and/or negligently made the representations.  
14 Specifically, Tony Qu and PrediWave knew or should have known that they did not have  
15 the capability of producing a commercially acceptable VOD STB in China and did not  
16 have the technology to include the features they had promised to include. In addition,  
17 Tony Qu and PrediWave failed to disclose one or more of the following material facts:

18 a. PrediWave did not have the ability to modify their VOD STB  
19 system to provide commercially acceptable digital broadcasting and picture resolution.

20 b. PrediWave did not have the ability to provide Text on  
21 Demand, Digital Video Recording, MyTV, Conditional Access, a Billing System or a  
22 Web Browser.

23  
24 c. PrediWave's system would not be commercially feasible in  
25 China, due to the fact that, among other reasons, PrediWave's system operated on a  
26 DOCSIS standard, while broadcasts in China generally operate on a DVB-C standard. As  
27 a result, to be compatible with the China system so that PrediWave's system can pick up  
28 broadcast channels, convert them and send them to end users digitally, the system would

1 have to use more bandwidth by running at all times a DVB-C and DOCSIS signal. This,  
2 in turn, would substantially limit the number of movies that could be offered on  
3 PrediWave's Video on Demand channels, as well as limit the number of digital channels  
4 that could be provided by PrediWave. As a result of the limited numbers of movies and  
5 channels available on PrediWave's system, the commercial feasibility of the VOD STBs  
6 in China would be non-existent. Moreover, PrediWave's DOCSIS signal interfered with  
7 the DVB-C broadcast signals used in China. Thus, the local authorities in China would  
8 not issue permits approving the use of PrediWave's system, because it would damage the  
9 integrity of China's DVB-C system.

10  
11 d. PrediWave's system could only operate on a monthly  
12 subscription basis, thus the end-user could not order a pay-per-view movie through the  
13 system, *i.e.* an end-user could not order any movie, anytime, anywhere by using the  
14 VOD STB as originally represented by Tony Qu and PrediWave.

15 e. Technical defects with PrediWave's system would cause the  
16 resolution quality of the picture to be unacceptably poor in China.

17  
18 f. PrediWave's VOD STBs interfered with other broadcast  
19 signals being transmitted to an end-user's home. Thus, an end-user would have to unplug  
20 the VOD STB if the end-user wanted to watch open air TV or receive an analog channel  
21 from a cable company. This inconvenience would substantially impact the commercial  
22 feasibility of the VOD STBs in China.

23 g. The VOD STBs required an unreasonably loud fan to cool the  
24 mechanism that would again substantially impact the commercial feasibility of the VOD  
25 STBs in China.

26 h. PrediWave's VOD STBs also had an unacceptably high  
27 failure rate.  
28

1           32. By virtue of New World's investment in PrediWave pursuant to the  
2 PrediWave Stock Purchase Agreement, Tony Qu and PrediWave had a fiduciary duty to  
3 disclose all material information to New World, including the material facts set forth  
4 above. Instead, Tony Qu and PrediWave continued to make misrepresentations and false  
5 promises regarding the capabilities of their VOD STBs, in order to fraudulently induce  
6 New World to continue to invest approximately Two Hundred Fifty-Six Million Four  
7 Hundred Thousand Dollars (US\$256,400,000) into the PrediWave Companies and to  
8 spend over Three Hundred Eighty-One Million Dollars (US\$381,000,000) in advance to  
9 purchase PrediWave's ultimately defective VOD-STBs and related hardware and  
10 software.

11           33. Had Tony Qu and PrediWave disclosed the true facts about the  
12 limited capabilities and problems with their VOD STB system, New World would not  
13 have continued to invest and spend substantial amounts in connection with the PrediWave  
14 project. Instead, as a result of Tony Qu and PrediWave's continuing misrepresentations,  
15 false promises and material non-disclosures, New World made such further investments  
16 and payments.

17  
18           34. As a result, between 2000 and 2003, New World paid approximately  
19 Two Hundred Fifty-Six Million Four Hundred Thousand Dollars (US\$256,400,000) to  
20 purchase one hundred percent (100%) of the preferred shares of CyberLancet,  
21 CyberNova, TechStock, WarpEra, Visionaire, S.T.U.B., Athena and Pine Global. These  
22 Defendant Companies were formed by Tony Qu to provide additional technology and  
23 services to support the VOD STB system once it began operations in China. The various  
24 stock purchase agreements are set forth below:

25           a. On or about October 31, 2000, the parties executed a Series A  
26 Preferred Stock Purchase Agreement, whereby New World purchased one hundred  
27 percent (100%) of the preferred shares of CyberLancet for Forty-Five Million Dollars  
28

1 (US\$45,000,000) (the "CyberLancet Stock Purchase Agreement"). New World received a  
2 30% interest in CyberLancet and the right to appoint two New World representatives to  
3 the board of directors. A true and correct copy of the CyberLancet Stock Purchase  
4 Agreement is attached hereto as Exhibit "B."

5  
6 b. On or about October 31, 2000, the parties executed a Series A  
7 Preferred Stock Purchase Agreement, whereby New World purchased one hundred  
8 percent (100%) of the preferred shares of CyberNova for Twenty Million Dollars  
9 (US\$20,000,000) (the "CyberNova Stock Purchase Agreement"). New World received a  
10 40% interest in CyberNova and the right to appoint two New World representatives to the  
11 board of directors. A true and correct copy of the CyberNova Stock Purchase Agreement  
12 is attached hereto as Exhibit "C."

13 c. On or about October 31, 2000, the parties executed a Series A  
14 Preferred Stock Purchase Agreement, whereby New World purchased one hundred  
15 percent (100%) of the preferred shares of TechStock for Twenty Million Four Hundred  
16 Thousand Dollars (US\$20,400,000) (the "TechStock Stock Purchase Agreement"). New  
17 World received a 40% interest in TechStock and the right to appoint two New World  
18 representatives to the board of directors. A true and correct copy of the TechStock Stock  
19 Purchase Agreement is attached hereto as Exhibit "D."

20  
21 d. On or about October 10, 2001, the parties executed a Series A  
22 Preferred Stock Purchase Agreement, whereby New World purchased one hundred  
23 percent (100%) of the preferred shares of WarpEra for Forty-Two Million Dollars  
24 (US\$42,000,000) (the "WarpEra Stock Purchase Agreement"). New World received a  
25 30% interest in WarpEra and the right to appoint two New World representatives to the  
26 board of directors. A true and correct copy of the WarpEra Stock Purchase Agreement is  
27 attached hereto as Exhibit "E."  
28

1 e. On or about January 3, 2002, the parties executed a Series A  
2 Preferred Stock Purchase Agreement, whereby New World purchased one hundred  
3 percent (100%) of the preferred shares of Visionaire for Thirty-Four Million Dollars  
4 (US\$34,000,000) (the "Visionaire Stock Purchase Agreement"). New World received a  
5 40% interest in Visionaire and the right to appoint two New World representatives to the  
6 board of directors. A true and correct copy of the Visionaire Stock Purchase Agreement is  
7 attached hereto as Exhibit "F."

8 f. On or about October 30, 2002, the parties executed a Series A  
9 Preferred Stock Purchase Agreement, whereby New World purchased one hundred  
10 percent (100%) of the preferred shares of S.T.U.B. for Twenty-Five Million Dollars  
11 (US\$25,000,000) (the "S.T.U.B. Stock Purchase Agreement"). New World received a  
12 47.5% interest in S.T.U.B. and the right to appoint two New World representatives to the  
13 board of directors. A true and correct copy of the S.T.U.B. Stock Purchase Agreement is  
14 attached hereto as Exhibit "G."

15 g. On or about November 12, 2002, the parties executed a Series  
16 A Preferred Stock Purchase Agreement, whereby New World purchased one hundred  
17 percent (100%) of the preferred shares of Athena for Twenty-Five Million Dollars  
18 (US\$25,000,000) (the "Athena Stock Purchase Agreement"). In addition, New World  
19 made a shareholder loan to Athena for Thirty Million Dollars (US\$30,000,000). New  
20 World received a 31.5% share in Athena and the right to appoint two New World  
21 representatives to the board of directors. A true and correct copy of the Athena Stock  
22 Purchase Agreement is attached hereto as Exhibit "H."

23 h. On or about August 25, 2003, the parties executed a Pre-  
24 Incorporation Agreement whereby New World purchased one hundred percent (100%) of  
25 the preferred shares of Pine Global for Fifteen Million Dollars (US\$15,000,000) (the  
26 "Pine Global Stock Purchase Agreement"). New World received a 30% interest in Pine  
27  
28

1 Global. A true and correct copy of the Pine Global Stock Purchase Agreement is attached  
2 hereto as Exhibit "I."

3  
4 35. Pursuant to the parties' agreement that New World would be the  
5 exclusive distributor of PrediWave's VOD STBs in China, New World agreed to purchase  
6 two hundred thousand (200,000) VOD STBs from PrediWave at a price of \$435 per unit,  
7 for a total of Eighty-Seven Million Dollars (US\$87,000,000). New World further paid an  
8 additional Three Hundred Eighty-One Million, Three Hundred Ninety-Seven Thousand,  
9 Two Hundred Twenty-Eight Dollars (US\$381,397,228) to PrediWave for additional  
10 hardware and software to operate PrediWave's system. These payments and agreements  
11 were memorialized by purchase orders and invoices. A schedule of New World's  
12 payments to PrediWave is attached hereto as Exhibit "J." This schedule lists: (a) the date  
13 of the payments; (b) the purchase order and/or invoice number; (c) a description of the  
14 goods purchased and/or purpose of the payments; and (d) the amount paid by New World  
15 to PrediWave.

16 **C. Defendants Fail To Produce And Deliver A Commercially Acceptable VOD**  
17 **STB That Could Work In China.**

18 36. PrediWave acknowledged that early entry into the market in China  
19 was critical to the business venture's success. Accordingly, pursuant to the parties'  
20 agreements referenced above and the parties' course of dealings, an initial lot of prototype  
21 VOD STBs was to be delivered to New World for testing and for use in a trial project in  
22 June 2002 in Fujian, China (the "Fujian trial project"). Thereafter, the rest of the two  
23 hundred thousand (200,000) VOD STBs called for under the parties' agreements were to  
24 be delivered in September 2002, and certainly at no time later than was reasonable from a  
25 commercial perspective or such time as that provided by the California Commercial Code  
26 when a specific delivery date is not specified. Thus, pursuant to the agreements of the  
27 parties and California law, PrediWave was required to deliver all of the two hundred  
28

1 thousand (200,000) VOD STBs to New World, which would conform to the  
2 representations and warranties made by PrediWave, by September 2002, and certainly no  
3 later than a date that was commercially acceptable or provided for by the California  
4 Commercial Code.

5           37. On or about June 3, 2002, PrediWave delivered the initial lot of  
6 prototype VOD STBs for testing and for use in the Fujian trial project. The VOD STBs  
7 failed to perform as promised. Among other things, the first lot of VOD STBs delivered  
8 by PrediWave had analog inputs/outputs, although PrediWave was well aware that the  
9 existing infrastructure in China was digital and PrediWave represented that the VOD  
10 STBs would provide digital broadcast transmissions. Further, there were problems  
11 obtaining transmissions to the VOD STBs as well as the technical problems described in  
12 paragraph 31 above.

13  
14           38. New World seasonably notified PrediWave of the technical problems  
15 with the VOD STBs, and its rejection of those goods. PrediWave provided assurances  
16 that it would fix the problems, but it never did so.

17           39. In late 2002, New World conducted further trials with the VOD STBs  
18 in Fujian, Guangzhou and Hebei, China. The VOD STBs still had the defects referenced  
19 in paragraph 31 above.

20  
21           40. New World repeatedly asked PrediWave for assurances that it would  
22 be able to perform in accordance with the parties' agreements by supplying VOD STBs  
23 that conformed to the representations and warranties made by Tony Qu and PrediWave.  
24 Although Tony Qu and PrediWave made such assurances, to date PrediWave has failed to  
25 deliver a VOD STB that performs in the manner represented by Tony Qu and PrediWave.  
26 As a result, New World has lost the opportunity to compete in the VOD STB market in  
27 China -- which was the fundamental purpose of the parties' business partnership.

1           41. In addition, because PrediWave has failed to timely deliver and  
2 produce a commercially acceptable VOD STB system in China, New World's investments  
3 in CyberLancet, CyberNova, TechStock, WarpEra, Visionaire, S.T.U.B., Athena and Pine  
4 Global have been rendered useless. These Defendant companies were supposed to  
5 provide technology and services to support the PrediWave system once it began its  
6 operations in China. Because it is no longer commercially feasible to operate the  
7 PrediWave system in China, the Stock Purchase Agreements for these additional  
8 companies have likewise been breached.

9           42. Accordingly, on May 3, 2004, New World sent a letter to the  
10 PrediWave Companies, further rejecting the non-conforming goods and/or revoking any  
11 acceptance thereof, and notifying the PrediWave Companies that they were in breach of  
12 the parties' agreements and warranties. New World further demanded the return of all  
13 investments provided by New World to the PrediWave Companies. Defendants refused,  
14 thus necessitating this lawsuit.

15  
16 **D. Defendants Materially Breached The Parties' Agreements.**  
17

18           43. Defendants failure to timely deliver conforming goods is a material  
19 breach of the parties' agreements. PrediWave acknowledged that early entry into the  
20 market in China was critical to the business venture's success. PrediWave's failure to  
21 provide conforming goods by the required delivery date has allowed other competitors to  
22 enter the market and gain substantial market share in China. Furthermore, those  
23 companies, which rely on DVB-C technology (as opposed to PrediWave's DOCSIS  
24 standard) are better positioned in the China market, because Hong Kong, China is  
25 expected to adopt a uniform standard in favor of DVB-C technology.

26           44. For the past four years New World has detailed and notified  
27 Defendants about the problems with PrediWave's system, yet PrediWave has done  
28



1 nothing to cure those deficiencies. PrediWave's failure to so cure alone places it in  
2 material breach of the parties' agreements.

3           45. PrediWave has operated in a manner that is completely antithetical to  
4 its obligations under the parties' agreements and California law. Its delivery of non-  
5 conforming goods, among other things, breached the various stock purchase agreements,  
6 the parties' sale of goods contracts, PrediWave's express warranties and the implied  
7 warranties of merchantability and fitness for a particular purpose contained in the  
8 California Commercial Code.

9  
10 **E. Tony Qu Misappropriates The Funds Invested By New World Into The**  
11 **PrediWave Companies.**

12           46. In addition to the breaches and wrongful conduct set forth above,  
13 Defendant Tony Qu also misappropriated substantial funds invested by New World into  
14 the PrediWave companies.

15           47. Between 2001 and 2004, Tony Qu took "bonuses" from the funds  
16 invested by New World into the PrediWave Companies totaling Ninety-Five Million Five  
17 Hundred Thousand Dollars (US\$95,500,000), as detailed below:

18           a. Tony Qu took "bonuses" from funds invested by New World  
19 into PrediWave totaling Ninety Million Eight Hundred Thousand Dollars  
20 (US\$90,800,000).  
21

22           b. Tony Qu took "bonuses" from funds invested by New World  
23 into CyberLancet totaling One Million Dollars (US\$1,000,000).  
24

25           c. Tony Qu took "bonuses" from funds invested by New World  
26 into CyberNova totaling Five Hundred Thousand Dollars (US\$500,000).  
27  
28

1 d. Tony Qu took "bonuses" from funds invested by New World  
2 into TechStock totaling Two Hundred Thousand Dollars (US\$200,000).

3 e. Tony Qu took "bonuses" from funds invested by New World  
4 into WarpEra totaling One Million Dollars (US\$1,000,000).

5 f. Tony Qu took "bonuses" from funds invested by New World  
6 into Visionaire totaling Two Million Dollars (US\$2,000,000).

7  
8 48. Tony Qu further directed the PrediWave Companies to spend  
9 approximately Eight Million Dollars (US\$8,000,000) from funds invested by New World  
10 to: (a) purchase real estate from Tony Qu; (b) purchase automobiles for Tony Qu; and (c)  
11 improve personal real estate owned by Tony Qu.

12  
13 49. Tony Qu further attempted to wrongfully induce New World  
14 representatives who sat on the board of directors of the PrediWave Companies to execute  
15 unauthorized modifications to the parties' agreements. Specifically, Tony Qu and the  
16 PrediWave Companies were informed that these representatives did not have authority to  
17 approve transactions greater than One Hundred Thousand Hong Kong Dollars  
18 (HK\$100,000) or make amendments to the parties' agreements that were, in effect, greater  
19 than One Hundred Thousand Hong Kong Dollars (HK\$100,000). Nevertheless, Tony Qu  
20 and the PrediWave Companies attempted to induce New World representatives to execute  
21 agreements outside of their authority by misrepresenting and failing to disclose material  
22 facts about the transactions alleged above. As a result, any such agreements are void due  
23 to the lack of actual and apparent authority, and because they were achieved through  
24 fraudulent representations and material non-disclosures.

1 FIRST CAUSE OF ACTION

2 (Fraud – False Promises, Intentional Misrepresentations, and Material Non-  
3 Disclosures Against All Defendants)

4 50. New World realleges and incorporates by reference the allegations  
5 contained in paragraphs 1 through 49, inclusive, as if fully set forth herein.  
6

7 51. Defendants falsely promised, both orally and in writing, that they  
8 would timely deliver a commercially acceptable VOD STB system that could work with  
9 the existing infrastructure in China and would have critical features such as Video on  
10 Demand, Video on Request and Digital Broadcasting, as well as Text on Demand, Digital  
11 Video Recording, MyTV, Conditional Access, a Billing System and a Web Browser.  
12 Defendants recognized that such features were critical in order to produce a commercially  
13 acceptable VOD STB for sale in China.

14 52. Defendants further fraudulently represented the capabilities and  
15 features of their VOD STB system and failed to disclose material facts about the defects  
16 and limitations of the VOD STB system. These misrepresentations and material non-  
17 disclosures, included, but were not limited to, the following:  
18

19 a. Falsely representing that PrediWave's system permitted  
20 satellite, cable and broadcast companies to deliver an unlimited choice of movies to an  
21 unlimited number of customers who purchased VOD STBs and that viewers would be  
22 able to order any movie, anytime, anywhere by using the VOD STBs.

23 b. Falsely representing that PrediWave's system could work in  
24 China without having to make substantial capital investments and improvements on  
25 infrastructure.  
26

27 c. Falsely representing and promising that PrediWave's system  
28 would have Video on Demand, Video on Request and Digital Broadcasting, as well as

1 Text on Demand, Digital Video Recording, MyTV, Conditional Access, a Billing System  
2 and a Web Browser.

3 d. Falsely representing that Defendants had the ability to produce  
4 a commercially acceptable VOD STB for sale in China.

5 e. Failing to disclose that PrediWave did not have the ability to  
6 modify their VOD STB system to provide commercially acceptable digital broadcasting  
7 and picture resolution.

8 f. Failing to disclose that PrediWave did not have the ability to  
9 provide Text on Demand, Digital Video Recording, MyTV, Conditional Access, a Billing  
10 System or a Web Browser.

11 g. Failing to disclose that PrediWave's system use of a DOCSIS  
12 standard in China would substantially limit the number of movies that could be offered on  
13 PrediWave's Video on Demand channels, as well as limit the number of digital channels  
14 that could be provided by PrediWave. As a result of the limited numbers of movies and  
15 channels available on PrediWave's system, the commercial feasibility of the VOD STBs  
16 in China would be non-existent.

17 h. Failing to disclose that PrediWave's DOCSIS signal interfered  
18 with the DVB-C broadcast signals used in China.

19 i. Failing to disclose that PrediWave's system could only  
20 operate on a monthly subscription basis, thus the end-user could not order a pay-per-view  
21 movie through the system.

22 j. Failing to disclose that technical defects with PrediWave's  
23 system would cause the resolution quality of the picture to be unacceptably poor in China.  
24

1 k. Failing to disclose that PrediWave's VOD STBs interfered  
2 with other broadcast signals being transmitted to an end-user's home. Thus, an end-user  
3 would have to unplug the VOD STB if the end-user wanted to watch open air TV or  
4 receive an analog channel from a cable company.

5 l. Failing to disclose that the VOD STBs required an  
6 unreasonably loud fan to cool the mechanism.

7 m. Failing to disclose that PrediWave's VOD STBs had an  
8 unacceptably high failure rate.

9  
10 53. Defendants knew that the above promises, representations and  
11 material non-disclosures were false and misleading, and made the false promises,  
12 representations and material non-disclosures with the intent to fraudulently induce New  
13 World to pay and invest substantial sums into the PrediWave Companies.

14  
15 54. Defendants either knew or recklessly disregarded the following: (1)  
16 that the misrepresentations and omissions described above were material; (2) that a  
17 reasonable person would believe those facts important and material; and (3) that if the true  
18 facts were disclosed, New World would not have paid or invested money in the  
19 PrediWave Companies.

20 55. Instead, based upon reasonable, actual and justifiable reliance on the  
21 material misrepresentations and non-disclosures alleged above, New World paid and  
22 invested more than Seven Hundred Million Dollars (US\$700,000,000) in connection with  
23 the PrediWave project.

24  
25 56. As a proximate and foreseeable result of Defendants' foregoing  
26 misrepresentations and omissions of material fact, New World has suffered damages in an  
27 amount to be proven at trial, but is believed to be in excess of Seven Hundred Million  
28 Dollars (US\$700,000,000).

1                    57.    New World further seeks the rescission of all agreements between the  
2 parties, including, but not limited to, the Stock Purchase Agreements set forth in  
3 paragraphs 28 and 34 (attached hereto as Exhibits "A" through "I"), and the purchase  
4 orders set forth in paragraph 35 (identified in Exhibit "J" attached hereto). New World  
5 further seeks restitution of all amounts paid by New World to the PrediWave Companies  
6 under said agreements.

7                    58.    Defendants have engaged in malice, oppression, and/or fraud in  
8 engaging in the above-alleged conduct. As such, New World is entitled to recover and  
9 Defendants are liable for punitive damages as a result of Defendants' conduct, pursuant to  
10 California Civil Code Section 3294.

11  
12                                    **SECOND CAUSE OF ACTION**

13                                    **(Breach of Fiduciary Duties Against All Defendants)**

14  
15                    59.    New World realleges and incorporates by reference the allegations  
16 contained in paragraphs 1 through 58, inclusive, as if fully set forth herein.

17                    60.    By virtue of New World's investment in the PrediWave Companies  
18 pursuant to the Stock Purchase Agreements, the PrediWave Companies owed fiduciary  
19 duties to New World. Moreover, Tony Qu as a president of the PrediWave Companies  
20 likewise owed fiduciary duties to New World, the holder of all of the preferred shares of  
21 the PrediWave Companies.

22  
23                    61.    Pursuant to those fiduciary duties, Defendants were required to act in  
24 the highest good faith with New World and were not permitted to obtain any advantage  
25 over New World by the slightest misrepresentation, concealment, threat or adverse  
26 pressure of any kind. Defendants further had a fiduciary duty to disclose all material  
27 facts about the PrediWave project to New World. Defendants further had a fiduciary duty  
28

1 of loyalty such that Defendants were not permitted to put their own personal interests  
2 ahead of New World's interests in the PrediWave Companies.

3           62. Defendants breached those fiduciary duties by making the  
4 misrepresentations and false promises alleged in paragraphs 51 and 52 above, and by  
5 failing to disclose all material information relevant to New World, including, but not  
6 limited to, the material facts set forth in paragraphs 51 and 52 above.

7  
8           63. Defendants further breached their fiduciary duties to New World by  
9 virtue of Tony Qu's misappropriation of the funds invested by New World into the  
10 PrediWave Companies for his own personal use and benefit, as set forth in paragraphs 46  
11 through 48 above.

12           64. Defendants further breached their fiduciary duties to New World by  
13 attempting to wrongfully induce New World representatives to execute unauthorized  
14 modifications to the parties' agreements as result of Defendants' misrepresentations and  
15 material non-disclosures, as set forth in paragraph 49 above.

16  
17           65. As a proximate result of Defendants' breaches of their fiduciary  
18 duties, New World has suffered damages in an amount to be proven at trial, but is  
19 believed to be in excess of Seven Hundred Million Dollars (US\$700,000,000).

20           66. New World further seeks the rescission of all agreements between the  
21 parties, including, but not limited to, the Stock Purchase Agreements set forth in  
22 paragraph 34 (attached hereto as Exhibits "A" through "I"), and the purchase orders set  
23 forth in paragraph 35 (identified in Exhibit "J" attached hereto). New World further seeks  
24 restitution of all amounts paid by New World to the PrediWave Companies under said  
25 agreements. New World further seeks restitution of all "bonuses" and other amounts  
26 taken by Tony Qu.  
27  
28





1           74. New World further seeks the rescission of all agreements between the  
2 parties, including, but not limited to, the Stock Purchase Agreements set forth in  
3 paragraphs 28 and 34 (attached hereto as Exhibits "A" through "I"), and the purchase  
4 orders set forth in paragraph 35 (identified in Exhibit "J" attached hereto). New World  
5 further seeks restitution of all amounts paid by New World to the PrediWave Companies  
6 under said agreements.

7   **FOURTH CAUSE OF ACTION**

8   **(Breach of Written and Oral Contracts Against All Defendants)**

9           75. New World realleges and incorporates by reference the allegations  
10 contained in paragraphs 1 through 74, inclusive, as if fully set forth herein.

11  
12           76. Pursuant to the parties' written and oral agreements, and course of  
13 dealings, the parties agreed that New World would become the exclusive distributor of  
14 PrediWave's VOD STBs in China, and would purchase the VOD STBs and related  
15 hardware and software from PrediWave.

16           77. Pursuant to such agreements, New World agreed to purchase two  
17 hundred thousand (200,000) VOD STBs from PrediWave at a price of \$435 per unit, for a  
18 total of Eighty-Seven Million Dollars (US\$87,000,000). New World has paid a total of  
19 Three Hundred Eighty-One Million, Three Hundred Ninety-Seven Thousand, Two  
20 Hundred Twenty-Eight Dollars (US\$381,397,228) to PrediWave for hardware and  
21 software to operate PrediWave's system. These payments and agreements were  
22 memorialized by purchase orders and invoices. A schedule of New World's payments to  
23 PrediWave is attached hereto as Exhibit "J." This schedule lists: (a) the date of the  
24 payments; (b) the purchase order and/or invoice number; (c) a description of the goods  
25 purchased and/or purpose of the payments; and (d) the amount paid by New World to  
26 PrediWave.  
27  
28

1           78. Pursuant to such agreements, and the parties' course of dealings,  
2 Defendants were required to produce a commercially acceptable VOD STB system that  
3 could work with the existing infrastructure in China and would have Video on Demand,  
4 Video on Request, Digital Broadcasting, Text on Demand, Digital Video Recording,  
5 MyTV, Conditional Access, a Billing System and a Web Browser. An initial lot of  
6 prototype VOD STBs was to be delivered to New World for testing and for use in a trial  
7 project in June 2002. Thereafter, the rest of the two hundred thousand (200,000) VOD  
8 STBs called for under the parties' agreements were to be delivered in September 2002,  
9 and certainly at no time later than was reasonable from a commercial perspective or such  
10 time as that provided by the California Commercial Code when a specific delivery date is  
11 not specified.

12           79. Defendants failed to timely deliver the two hundred thousand  
13 (200,000) VOD STBs. In fact, to date, Defendants have only delivered approximately  
14 seven thousand (7000) substandard VOD STB units that: (a) do not conform with the  
15 representations and warranties made by Defendants; (b) do not function properly with the  
16 existing infrastructure in China; and (c) do not have the technology and features necessary  
17 to be commercially acceptable in China. By failing to timely deliver a fully functional  
18 VOD STB system, Defendants have breached their agreements with New World.

19           80. New World seasonably notified PrediWave of the technical problems  
20 with the VOD STBs, and its rejection of those goods. PrediWave provided assurances  
21 that it would fix the problems, but it never did so.

22           81. Accordingly, on May 3, 2004, New World sent a letter to the  
23 PrediWave companies, further rejecting the non-conforming goods and/or revoking any  
24 acceptance thereof, and notifying the PrediWave Companies that they were in breach of  
25 the parties' agreements and warranties.  
26  
27  
28

1 82. New World has performed all conditions, covenants, and promises  
2 required on its part to be performed in accordance with the terms and conditions of the  
3 agreements, except for those they were prevented from performing or which were waived  
4 or excused by Defendants' breaches and misconduct.

5 83. To the extent Defendants allege as an affirmative defense that  
6 representatives of New World modified and/or waived the terms of the parties'  
7 agreements, or any breach by Defendants, such Defendants were aware that the New  
8 World representatives did not have the actual or apparent authority to make such  
9 modifications or waivers on behalf of New World, and any such modifications or waivers  
10 where achieved through fraud by Defendants and are thus void.

11 84. As a proximate result of Defendants' breaches of such contracts, New  
12 World has suffered damages in an amount to be proven at trial, but is believed to be in  
13 excess of Three Hundred Eighty-One Million Dollars (US\$381,000,000).  
14

## 15 **FIFTH CAUSE OF ACTION**

### 16 **(Breach of Written Stock Purchase Agreements Against All Defendants)**

17 85. New World realleges and incorporates by reference the allegations  
18 contained in paragraphs 1 through 84, inclusive, as if fully set forth herein.  
19  
20

21 86. New World and Defendants entered into the written Stock Purchase  
22 Agreements set forth in paragraphs 28 and 34 (attached hereto as Exhibits "A" through  
23 "I").  
24

25 87. The Stock Purchase Agreements related to the same matters, between  
26 the same parties, and were made as part of substantially one transaction, and are thus to be  
27 taken together.  
28

1           88. Pursuant to the Stock Purchase Agreements, and the parties' course  
2 of dealings, Defendants were required to timely deliver a commercially acceptable VOD  
3 STB system that could work with the existing infrastructure in China and would have  
4 Video on Demand, Video on Request, Digital Broadcasting, Text on Demand, Digital  
5 Video Recording, MyTV, Conditional Access, a Billing System and a Web Browser.

6           89. Defendants failure to timely deliver conforming goods is a material  
7 breach of the parties' agreements, including the Stock Purchase Agreements. PrediWave  
8 acknowledged that early entry into the market in China was critical to the business  
9 venture's success. PrediWave's failure to provide conforming goods by the required  
10 delivery date has allowed other competitors to enter the market and gain substantial  
11 market share in China.

12           90. For the past four years, New World has detailed and notified  
13 Defendants about the problems with PrediWave's system, yet PrediWave has done  
14 nothing to cure those deficiencies. PrediWave's failure to so cure alone places it in  
15 material breach of the parties' agreements, including the Stock Purchase Agreements.

16           91. New World has performed all conditions, covenants, and promises  
17 required on its part to be performed in accordance with the terms and conditions of the  
18 agreements, except for those they were prevented from performing or which were waived  
19 or excused by Defendants' breaches and misconduct.

20           92. Because PrediWave has failed to timely deliver and produce a  
21 commercially acceptable VOD STB system in China, New World's investments in  
22 CyberLancet, CyberNova, TechStock, WarpEra, Visionaire, S.T.U.B., Athena and Pine  
23 Global have been rendered useless. These Defendant companies were supposed to  
24 provide technology and services to support the PrediWave system once it began its  
25 operations in China. Because it is no longer commercially feasible to operate the  
26  
27  
28

1 PrediWave system in China, the Stock Purchase Agreements for these additional  
2 companies have likewise been breached.

3           93. Accordingly, on May 3, 2004, New World sent a letter to the  
4 PrediWave Companies, further rejecting the non-conforming goods and/or revoking any  
5 acceptance thereof, and notifying the PrediWave Companies that they were in breach of  
6 the parties' agreements and warranties. New World further demanded the return of all  
7 investments provided by New World to the PrediWave Companies.  
8

9           94. As a proximate result of Defendants' breaches of such contracts, New  
10 World has suffered damages in an amount to be proven at trial, but is believed to be in  
11 excess of Two Hundred Ninety-One Million Dollars (US\$291,000,000).  
12

### 13 SIXTH CAUSE OF ACTION

#### 14 **(Breach of Express Warranties Against All Defendants)**

15           95. New World realleges and incorporates by reference the allegations  
16 contained in paragraphs 1 through 94, inclusive, as if fully set forth herein.  
17

18           96. During the parties' negotiation of the agreements set forth above,  
19 including but not limited to agreements identified in Exhibit "J" attached hereto,  
20 Defendants expressly warranted, both in writing and orally, that they would produce a  
21 commercially acceptable VOD STB system that could work with the existing  
22 infrastructure in China and would have Video on Demand, Video on Request, Digital  
23 Broadcasting, Text on Demand, Digital Video Recording, MyTV, Conditional Access, a  
24 Billing System and a Web Browser.

25           97. These express warranties were made a basis of the bargain between  
26 New World and Defendants, and each Defendant was in privity with New World.  
27  
28

1                   98. Defendants breached these express warranties in that they have failed  
2 to produce a commercially acceptable VOD STB that can work with the existing  
3 infrastructure in China and has Video on Demand, Video on Request, Digital  
4 Broadcasting, Text on Demand, Digital Video Recording, MyTV, Conditional Access, a  
5 Billing System and a Web Browser.

6                   99. New World seasonably notified PrediWave of the technical problems  
7 with the VOD STBs, and its rejection of those goods. PrediWave provided assurances  
8 that it would fix the problems, but it never did so.

9  
10                   100. Accordingly, on May 3, 2004, New World sent a letter to the  
11 PrediWave companies, notifying them that they were in breach of the parties' warranties.

12                   101. As a proximate and foreseeable result of these breaches of express  
13 warranties, New World has suffered damages in an amount to be proven at trial, but is  
14 believed to be in excess of Three Hundred Eighty-One Million Dollars (US\$381,000,000).

## 15 16                   SEVENTH CAUSE OF ACTION

### 17                   (Breach of Implied Warranties Against All Defendants)

18  
19                   102. New World realleges and incorporates by reference the allegations  
20 contained in paragraphs 1 through 101, as if fully set forth herein.

21                   103. Defendants were merchants of the goods sold to New World, namely  
22 the VOD STBs and related hardware and software. In connection with such sales,  
23 Defendants made implied warranties, including but not limited to an implied warranty that  
24 the VOD STBs were merchantable and fit for the ordinary purposes for which the VOD  
25 STBs are used and the implied warranty that they were fit for the particular purpose of  
26 working with the existing infrastructure in China and satisfying the commercial standards  
27 of China.  
28

1 104. Defendants breached these implied warranties, including the implied  
2 warranty of merchantability and fitness for a particular purpose. The VOD STBs were not  
3 fit for the ordinary purposes for which VOD STB's are used. Moreover, the VOD STBs  
4 did not work with the existing infrastructure in China and did not satisfy the commercial  
5 standards in China.

6 105. As a proximate and foreseeable result of these breaches of implied  
7 warranties, New World has suffered damages in an amount to be proven at trial, but is  
8 believed to be in excess of Three Hundred Eighty-One Million Dollars (US\$381,000,000).  
9

10 **SIXTH CAUSE OF ACTION**

11 **(Violation of California Business and Professions Code Sections 17200 et seq.**  
12 **Against All Defendants)**  
13

14 106. New World realleges and incorporates by reference the allegations  
15 contained in paragraphs 1 through 105, inclusive, as if fully set forth herein.

16 107. Defendants obtained substantial investment funds and sales by falsely  
17 representing the capabilities of their VOD STB system to the public, customers, potential  
18 investors and current investors (including New World) and by failing to disclose the  
19 serious defects, limitations and flaws with their technology and VOD STB system.  
20

21 108. Such misconduct is likely to deceive members of the general public.  
22 Moreover, the gravity of Defendants' conduct as alleged above outweighs any  
23 justification, motive or reason therefor. Such misconduct is immoral, unethical,  
24 unscrupulous and offends established public policy. Finally, such misconduct  
25 significantly threatens and harms competition.  
26  
27  
28

1 109. As a result, Defendants have engaged in fraudulent and unfair  
2 business acts or practices in violation of California Business and Professions Code  
3 Sections 17200 et seq.

4 110. Defendants' conduct further constitutes unlawful business acts and  
5 practices in violation of California Business and Professions Code Sections 17200 et seq.  
6 by violating state law, including but not limited to, California Civil Code Sections 1709  
7 and 1792 et seq. In addition, Defendants engaged in unfair, deceptive, untrue or  
8 misleading advertising, and acts prohibited by California Business and Professions Code  
9 Sections 17500 et seq. which constitute a separate unlawful business practice.

10  
11 111. New World, on behalf of itself and as a representative of the general  
12 public, seeks all remedies available under California Business and Professions Code  
13 Sections 17200 et seq., and specifically Section 17203, including but not limited to:

14 a. Restitution to New World of all monies wrongfully obtained  
15 by Defendants from New World; and

16  
17 b. Injunctive relief restraining Tony Qu and Defendants from  
18 transferring, without New World's express authorization, any of the funds that still exist  
19 in the PrediWave companies' bank accounts.

## 20 SEVENTH CAUSE OF ACTION

21 (Declaratory Relief Against Defendants PrediWave, CyberLancet, CyberNova and  
22 TechStock)  
23

24 112. New World realleges and incorporates by reference the allegations  
25 contained in paragraphs 1 through 111, inclusive, as if fully set forth herein.  
26

27 113. New World contends that pursuant to Paragraph 7.3 of the Stock  
28 Purchase Agreements for PrediWave, CyberLancet, CyberNova and TechStock (attached



1 hereto as Exhibits "A" through "D"), these Defendant Companies agreed that any check,  
2 or other bank document that authorizes the transfer of funds in excess of Five Hundred  
3 Thousand Dollars (US\$500,000) must be co-signed by a representative of New World.  
4 New World is currently seeking to enforce that right, and contends that it still has the  
5 ability to assert such right.

6  
7 114. On the other hand, Defendants PrediWave, CyberLancet, CyberNova  
8 and TechStock contend that New World has waived any such right under the Stock  
9 Purchase Agreements and cannot now assert such rights.

10 115. On information and belief, Defendants PrediWave, CyberLancet,  
11 CyberNova and TechStock have recently sought to transfer funds from their bank  
12 accounts in excess of \$500,000 without the written authorization and co-signature of a  
13 New World representative. Specifically, in May 2004, after New World sent a letter  
14 notifying these Defendants that they are in breach of the agreements and that New World  
15 is seeking a return of all funds invested in the PrediWave Companies, these Defendants  
16 sought to transfer as much as Forty-Million Dollars (US \$40,000,000) from their bank  
17 accounts.

18  
19 116. An actual controversy now exists between New World and  
20 Defendants relating to PrediWave, CyberLancet, CyberNova and TechStock's ability to  
21 transfer funds in excess of Five Hundred Thousand Dollars (\$500,000) without New  
22 World's express written consent and a co-signature from a New World representative.

23 117. Pursuant to California Code of Civil Procedure Section 1060, New  
24 World is entitled to a declaration that its contentions in paragraphs 113 are correct. Such  
25 a declaration is necessary and appropriate.

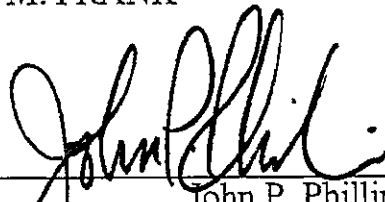
PRAYER FOR RELIEF

WHEREFORE, New World prays for judgment as follows:

1. For damages according to proof, including interest;
2. For rescission of all agreements;
3. For restitution of all monies obtained from New World by Defendants.
4. For injunctive relief requiring Defendants to refrain from transferring funds from the PrediWave's Companies' bank accounts, in excess of Five Hundred Thousand Dollars (US\$500,000), without the express written consent and co-signature of a New World representative;
5. For injunctive relief requiring restitution of all "bonuses" and other amounts taken by Defendant Tony Qu.
6. For any and all reasonable attorneys' fees and costs incurred herein;
7. For punitive and exemplary damages; and
8. For such other and further relief as this Court may deem just and proper.

DATED: May 25, 2004

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