
RELATIONSHIP WITH PEKING UNIVERSITY

BACKGROUND

Upon listing of the H Shares, Peking University, through its interests in the Four Domestic Promoters, is the ultimate controlling shareholder of the Company. Most of the Company's senior management are former or current members of the teaching or research staff of Peking University. Save for the appointment of senior management, the Company runs its day-to-day operations and management independently. Peking University, as a state-owned organization and an education institute, will not formulate or control the formulation of business policies of the Company.

Peking University is a comprehensive and a national key university in the PRC. Peking University is subject to the administration of the Ministry of Education, which is responsible for the overall supervision of academic institutions in the PRC. At present, Peking University is a university comprising departments of both liberal Arts and Sciences and emphasizing the teaching and research of basic sciences. It has 55 research institutes and 77 research centres, and there are 2 national engineering research centres, 42 key national disciplines, 12 national key laboratories and 4 key national subject specialised laboratories.

Peking University's Computer Science and Technology Department was established in 1978 focusing on computer software, computer applications, microelectronics and software engineering. Peking University's Computer Science and Technology Department currently supports three research institutes, namely, 中国科学院计算所 (Institute of Computations Linguistics), 中国科学院软件研究所 (Institute of Software Engineering) and 中国科学院微电子研究所 (Institute of Microelectronics). Their major research topics include system software, software engineering and software engineering environment, industrialised software technology and system, reusable software and software components and large-scale ICs and computer aided design.

In November 1992, Jade Bird Software was formed and has been wholly-owned by Peking University. To set up Jade Bird Software, Peking University transferred its developed and owned software development tools to Jade Bird Software Company Limited, a subsidiary of Jade Bird Software and Jade Bird. In November 1994, in order to commercialise and develop the products of Peking University's Computer Science and Technology Department, Jade Bird was set up and became one of the enterprises under Peking University to engage in the manufacture, marketing, distribution and sale of software products. The Jade Bird Group's products can be categorised into (i) fundamental software tools and platforms; (ii) software application, (iii) embedded system and (iv) system integration. Pursuant to the Reorganisation, the development, manufacture, marketing, distribution and sale of embedded systems were transferred to the Company.

As part of the Reorganisation for the purposes of listing of the Company, the Predecessor Entities as transferors transferred the entire businesses and operations which include all the technological materials, research and development staff, assets, liabilities and business operations of ASIC, Network Security Products, Smart Card Application System, GPS

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Application System and WFAS respectively to the Company as transferee pursuant to four business transfer agreements all dated 17th April, 2000. The Predecessor Entities retained the other business and liabilities that were not assumed by the Company. These excluded business and liabilities include investments in fundamental software development tools and platforms; software application; and system integration, which are not competing with the business of the Company, as well as certain other non-production-related facilities.

CONNECTED TRANSACTIONS

Peking University, through its interests in the Four Domestic Promoters, is the controlling shareholder of the Company and Peking University as well as the Four Domestic Promoters are deemed to be connected persons of the Company for the purpose of the GEM Listing Rules. Accordingly, following completion of the Placing, the continuation of any transactions between (i) Peking University or its associates and the Company and (ii) the Four Domestic Promoters or its associates and the Company subsequent to the listing of the H Shares on GEM will constitute connected transactions of the Company. The following on-going connected transactions may require full disclosure and/or approval of independent shareholders of the Company in the general meeting except for exempt continuing connected transactions in (1), (2) and (3) below which are of de minimis nature and are exempted under Rule 20.25 of the GEM Listing Rules. Accordingly, the Company has applied to the Stock Exchange for waivers in relation to the non-exempt continuing connected transactions in (4) to (10) below. Details of the transactions are set out below and a waiver application of which is set out in the section headed “Waiver from compliance with the GEM Listing Rules”.

Exempt Continuing Connected Transactions

- (1) Pursuant to the JB-CASE Technology Licence Agreement between Jade Bird Software Company Limited and the Company dated 17th April, 2000, Jade Bird Software Company Limited agreed to provide the licence to use to the Company of JB-CASE Software for a term of 10 years commencing from 17th April, 2000 at nil consideration. JB-CASE is a software development tool developed and owned by Jade Bird Software Company Limited and is registered in Computer and Software Registration Management Office (> p “ † n ¥ n O “ † z ǔ) / % « under Software Registration Numbers 0001746, 001747, 0001753, 0001754 and 0001755 (“JB-CASE Software”). Other major terms of the JB-CASE Technology Licence Agreement include, among others, the following: (1) based on the licence, the Company shall be entitled to conduct its own research and develop on the JB-CASE Software and related technology and ownership of any technology so developed shall belong to the Company; (2) the Company shall have an option to purchase the JB-CASE Software from Jade Bird Software Company Limited at any time during the term of the licence by giving Jade Bird Software Company Limited 3 months’ prior notice in writing at a consideration to be determined by an assets valuation organisation to be agreed between the parties at the time of the valuation. Failing agreement by the parties as to the appointment of the assets

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valuer, it shall be determined by the Company whose valuation shall be final and binding on the parties. The costs of such valuation shall be borne by the parties equally; and (3) Jade Bird Software Company Limited shall not sell or transfer the JB-CASE Software to any third party during the first 5 years from the commencement date of the licence provided that commencing from the sixth year, Jade Bird Software Company Limited shall not sell or transfer the JB-CASE Software without first ascertaining from the Company as to whether it intends to exercise its option to purchase as referred to in item 3 above.

Should the option in item 3 above be exercised, the Company has to comply strictly with the requirements of Chapter 20 of the GEM Listing Rules.

- (2) Pursuant to the Trademark Licence Agreement between Jade Bird Software and the Company dated 17th April, 2000 (“Trademark Licence Agreement”), Jade Bird Software agreed to provide a non-exclusive use to the Company of the two trademarks on the Company’s products in the PRC for nil consideration. Jade Bird Software is the registered owner of two trademarks registered in the Trademark Administration under registration numbers 722305 and 722306 in respect of its electronic computers and other related external equipment. The Trademark Licence Agreement is for a term of 10 years.
- (3) Pursuant to the Sub-lease Contract dated 17th April, 2000 between Jade Bird Software and the Company (“Sub-lease Contract”), Jade Bird Software sub-leased to the Company the office premises at Unit 16, 9th Floor, Beijing New World Centre, North Office Tower, No. 3B, Chongwenmenwai Avenue, Chongwen District, Beijing, the PRC, for a term commencing from 17th April, 2000 to 24th November, 2002 at a monthly rent of US\$11.0 per square metre.

Non-Exempt Continuing Connected Transactions

- (4) Pursuant to the Technological Cooperation and Support Agreement between the Four Domestic Promoters and the Company dated 17th April, 2000 (“Promoters’ Technological Support Agreement”), each of the Four Domestic Promoters agrees to provide technological support for the research and development of embedded technology for the Company.

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Technological support to be provided by the Four Domestic Promoters to the Company includes Commissioned R & D, Joint R & D and Technological Support. Under the Promoters' Technological Support Agreement, "Commissioned R & D" means to research and develop embedded technology in accordance with the specific instructions of the Company. "Joint R & D" means to jointly research and develop embedded technology in accordance with the needs of the Company, "Technological Support" includes (i) the provision of technological information, technical achievements, technical products and services developed and obtained by each member of the Four Domestic Promoters; (ii) the exchange and training of technical staff; (iii) the provision of research and development materials and equipment; (iv) exchange of newly developed technological data and information with the Company and the provision of information to or jointly conduct researches with the Company on the development trend and prospects of embedded technology; and (v) the provision of comprehensive technical support services to the Company to facilitate the normal, reasonable and effective use by the Company of technological support provided by the relevant member(s) of the Four Domestic Promoters and to achieve commercialization and industrialization of the Company's products.

It is provided in the Promoters' Technological Support Agreement that the ownership of the technology (including patent, non-patented technology and computer software with copyrights) developed within the scope of the Promoters' Promoters' Technological Support Agreement shall belong to the Company. The Promoters' Technological Support Agreement is for an indefinite term but can be terminated by reason of the occurrence of force majeure.

It is further provided in the Promoters' Technological Support Agreement that each member of the Four Domestic Promoters shall individually give first priority to (a) the acceptance of any project entrusted by the Company for the research and development of the technology required by the Company, provided that the relevant member(s) of the Jade Bird Group is able and authorized to perform the same; (b) jointly research and develop with the Company the technology required by the Company, provided that the relevant member(s) of the Four Domestic Promoters is able and authorized to perform the same; (c) to provide the Company with technological support under the Promoters' Technological Support Agreement; and (d) with transfer or license to the Company of the sole use of any technology independently researched and developed by the relevant member(s) of the Four Domestic Promoters under and within the scope of the Promoters' Technological Support Agreement, if the relevant member(s) of the Four Domestic Promoters intends to transfer or license the same technology.

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Taking into account the business strategies and business plan as set out in the section headed “Statement of business objectives” in this prospectus, the Company anticipates that for each of the three financial years ending 31st December, 2002, the amount payable by the Company to the Four Domestic Promoters per annum for the Technological Support shall not exceed RMB2 million. For the purposes of the waiver, the annual cap will be set at RMB2 million for each of the three years ending 31st December, 2002.

- (5) Pursuant to the Technological Cooperation and Support Agreement between Peking University on behalf of the Institute and the Company dated 17th April, 2000 (“Institutes’ Technological Support Agreement”) of technological support by the Institutes to the Company which provides, amongst other things:

Under the Technological Support Agreement, technological support to be provided by the two Institutes to the Company includes Commissioned R & D, Joint R & D and Technological Support. Under the Institutes’ Technological Support Agreement, “Commissioned R & D” means to develop technology in accordance with the specific instructions of the Company. “Joint R & D” means to jointly develop embedded technology in accordance with the needs of the Company. “Technological Support” includes (i) the provision of technological information, technical achievements, technical products and services developed and obtained by the Institutes; (ii) the exchange and training of technical staff; (iii) the provision of research and development materials and equipment; (iv) exchange of newly developed technological data and information with the Company and the provision of information to or jointly conduct researches with the Company on the development trend and prospects of embedded technology and (v) the provision of comprehensive technical support services to the Company to facilitate the normal, reasonable and effective use by the Company of the technological support provided by Peking University on behalf of the Institutes and to achieve commercialization and industrialization of the Company’s products.

It is provided in the Institutes’ Technological Support Agreement that the ownership of the technology (including patent, non-patented technology and computer software with copyrights) developed within the scope of the Institutes’ Technological Support Agreement shall belong to the Company. The Institutes’ Technological Support Agreement is for an indefinite term but can be terminated by reason of the occurrence of force majeure.

It is further provided in the Institutes’ Technological Support Agreement that Peking University on behalf of the Institutes shall give first priority to (a) the acceptance of any project entrusted by the Company for the research and development of the technology required by the Company, provided that Peking University is able and authorized to perform the same; (b) jointly research and develop with the Company the technology required by the Company, provided

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that Peking University is able and authorized to perform the same; (c) to provide the Company with technological support under the Institutes' Technological Support Agreement; and (d) the transfer or license to the Company of the sole use of any technology independently researched and developed by Institutes under and within the scope of the Institutes' Technological Support Agreement, if the relevant Institute intends to transfer or license the same technology.

Taking into account the business strategies and business plan as set out in the section headed "Statement of business objectives" in this prospectus, the Company anticipates that for each of the three financial years ending 31st December, 2002, the amount payable by the Company to the Institutes per annum for the Technological Support shall not exceed RMB3 million. For the purposes of the waiver, the annual cap will be set at RMB3 million for each of the three years ending 31st December, 2002.

- (6) Pursuant to the Technology Licence Agreement between Beijing Tianqiao and the Company dated 17th April, 2000 ("Licence Agreement"), Beijing Tianqiao granted to the Company an exclusive licence to use 230M frequency band GPS technology ("230M GPS Technology") owned by Beijing Tianqiao for the manufacture of GPS systems and their related products applying 230M frequency band (collectively "230M GPS Products").

The principal terms of the Licence Agreement include, among other things: (a) the exclusive licence to use the 230M GPS Technology shall be for a fixed term of 10 years commencing from the date of the Licence Agreement with a right of renewal to the Company for another term to be negotiated and agreed between the parties; (b) the exclusive licence shall cover the PRC; (c) the licence fee to be paid by the Company to Beijing Tianqiao shall be 3% of the sales value of the 230M GPS Products including (1) JB-230M box units and parts for installation in the vehicle; (2) Transceivers and controller parts in the base-station and receiver of JB-230M; and (3) Application software parts of JB-230M; (d) at any time during the terms of the Licence Agreement, the Company shall have the right to purchase ownership of the 230M GPS Technology from Beijing Tianqiao at a price to be determined by an authorised valuation organization in the PRC; and (e) at any time during the first five years of the Licence Agreement, Beijing Tianqiao shall not be entitled to transfer the 230M GPS Technology or any part thereof to any third party. The Licence Agreement subject to provisions for earlier termination by reason of breach liquidation or insolvency of either party to the Licence Agreement.

The 230M GPS Technology licensed under the Licence Agreement has not been applied to the GPS products developed and to be developed by the Company. Taking into account of its projected sales of GPS Products, the Company anticipates that for each of the three financial years ending 31st December, 2002, the aggregate

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royalty fees payable by the Company to Beijing Tianqiao per annum for the 230M GPS Technology shall not exceed RMB2 million. For the purposes of the waiver, the annual cap will be set at RMB2 million for each of the three years ending 31st December, 2002.

Should the option referred to item (d) above be exercised, the Company has to comply strictly with the requirements of Chapter 20 of the GEM Listing Rules.

- (7) Pursuant to the Master GPS Sales Agreement dated 17th April, 2000 between Sichuan Tian Mu Monitored Security Company Limited (“Tian Mu”) and the Company, the Company agreed to supply and Tian Mu agreed to purchase GPS products (“GPS Products”) manufactured by the Company upon, among other things, the following principal terms: (a) insofar as the GPS Products required by Tian Mu can be supplied by the Company, Tian Mu shall purchase all GPS Products required by it from the Company, otherwise, Tian Mu can purchase GPS Products from third parties; (b) upon the request by Tian Mu, the Company shall be entitled to sell GPS Products to Tian Mu at a price to be determined by the parties provided that the price shall not be less than the price payable by independent third parties for similar GPS Products of the Company and, if there is no agreement on the price and/or the sales conditions, both the price and the sales conditions shall be determined by reference to the price of similar GPS products available in the market or the practice according to the previous transactions between the parties; (c) the Company shall provide training for its GPS Products to Tian Mu provided that if the training requested by Tian Mu is not limited to the use of the GPS Products or for some other special purpose, the Company shall be allowed not to provide such training. If the Company decides to provide such training, Tian Mu shall pay the Company a reasonable fee for such services; and (d) the Company shall provide one year after-sales maintenance services free of charge to Tian Mu in respect of the GPS Products sold to Tian Mu pursuant to the Master GPS Sales Agreement provided that upon expiry of the one year free maintenance period, Tian Mu shall pay the Company a reasonable fee for such maintenance services. The Master GPS Sales Agreement is for a fixed term of 10 years commencing from 17th April, 2000 with provisions for earlier termination by reason of breach or force majeure events.

Tian Mu is a limited liability company established in the PRC in March 1999 of which Jade Bird has 30% equity interest. The remaining equity is owned by a local enterprise with experience in telecommunications and relevant sales network. The Company anticipates that for each of the three financial years ending 31st December, 2002, the price and fees payable by Tian Mu to the Company per annum for the sales and maintenance fees of GPS Products shall not exceed RMB60 million. For the purposes of the waiver, the annual cap will be set at RMB60 million for each of the three years ending 31st December, 2002.

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- (8) Pursuant to Master Network Security Products Sales Agreement between the Company and Beijing Tianqiao dated 17th April, 2000, Beijing Tianqiao agrees to buy Network Security Products exclusively from the Company for a term of 10 years commencing from 17th April, 2000 subject to provisions for earlier termination by reason of breach or force majeure events. The major terms of the Master Network Security Products Sales Agreement are summarised as follows: (a) Beijing Tianqiao shall purchase all Network Security Products from the Company if and in so far as the Company is able to supply such products, provided that the sale price shall not be lower than (i) the average sale price of such products sold by the Company to third parties and (ii) the average market price of similar products or products with similar functions (if any); (b) the parties shall enter into written sales contracts for all sale and purchase of Network Security Products under the Master Network Security Product Sales Agreement, subject to the actual terms of sales to be negotiated and agreed to by the parties, failing which such terms and price are to be determined with reference to open market contracts for similar products or the previous transactions between the parties; (c) notwithstanding clause referred to above, the Company shall be entitled to sell its Network Security Products to any third parties, the terms of such sales to be determined by the Company; (d) the Network Security Products to be sold under the Master Network Security Product Sales Agreement shall include the provision by the Company of all necessary technological data relating to the Network Security Products sold; (e) the Company shall provide one year free service warranty in respect of all Network Security Products to be sold to Beijing Tianqiao but shall be entitled to charge a reasonable maintenance service fee for all maintenance services provided to Beijing Tianqiao if such maintenance is required for reasons which are not caused by the Company and (f) the Company shall be liable to indemnify Beijing Tianqiao if the Company is in breach of its warranty (not the one year free service warranty referred to above) as to title to the Network Security technology and Network Security Products.

The Company anticipates that for each of the three financial years ending 31st December, 2002, the price and fees payable by Beijing Tianqiao to the Company per annum for the sales and maintenance fees of Network Security Products shall not exceed RMB20 million. For the purposes of the waiver, the annual cap will be set at RMB20 million for each of the three years ending 31st December, 2002.

- (9) Pursuant to the Technical Equipment Rental Agreement dated 17th April, 2000 between the Institute of Microelectronics of Peking University (the “Microelectronics Institute”) as the lessor on the one part and the Company as the lessee on the other part (“Technical Equipment Rental Agreement”), Microelectronics Institute agreed to rent certain computer hardware and software (“Equipment and Software”) installed at the Microelectronics Institute for use by the Company for a term of 5 years commencing from 17th April, 2000 to 16th

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April, 2005 with a right to terminate the Technical Equipment Rental Agreement earlier commencing from 17th April, 2003 upon giving 3 months prior notice in writing to the Microelectronics Institute. The fee payable by the Company to the Microelectronics Institute for the use of the Equipment and Software shall be calculated at a rate of RMB120 per hour based on the actual number of hours used and recorded, such fee to be paid by the Company to the Microelectronics Institute during December of each calendar year.

Other major terms of the Technical Equipment Rental Agreement include, among others, that (1) the Microelectronics Institute shall be responsible for service and maintenance of the Equipment and Software; (2) the Microelectronics Institute shall make the Equipment and Software available for use by the Company at all reasonable time and place; (3) the Company shall have priority to use the Equipment and Software during the term of the Technical Equipment Rental Agreement; and (4) the Company shall have a first right to purchase Equipment and Software if the Microelectronics Institute shall transfer or assign the Equipment and Software at any time during the term of the lease. For the purposes of the waiver, the annual cap will be set at RMB1.5 million for each of the three years ending 31st December, 2002.

Should the first right to purchase in item (4) above be exercised, the Company has to comply strictly with the requirements of Chapter 20 of the GEM Listing Rules.

- (10) Pursuant to the Technical Equipment Rental Agreement dated 17th April, 2000 between the Company as the lessor on one part and the Microelectronics Institute as the lessee on the other part (“Technical Equipment Rental Agreement”), the Microelectronics Institute agreed to rent from the Company certain hardware and software (“Equipment and Software”) installed at the premises of the Microelectronics Institute for a term of 5 years commencing from 17th April, 2000 to 16th April, 2005 with a right to the Microelectronics Institute to terminate the Technical Equipment Rental Agreement earlier commencing from 17th April, 2003 upon the Microelectronics Institute giving 3 months prior notice in writing to the Company. The rental payable by the Microelectronics Institute to the Company shall be RMB1.26 million per annum, such sum to be paid in one lump sum during December of each calendar year.

Other major terms of the Equipment Rental Agreement include, among others, that (1) the Company shall make the Equipment and Software available for the reasonable use by the Microelectronics Institute during the term of the Technical Equipment Rental Agreement; (2) the Company shall not use the Equipment and Software for more than 320 hours per year; (3) the Company shall, based on its own reasonable requirement, be allowed free access to the Microelectronics Institute’s premises for use of the Equipment and Software. For the purpose of

the waiver, the annual cap will be set at RMB1.26 million for each of the three years ending 31st December, 2002.

The Non-exempt Continuing Connected Transaction described above constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules and are therefore subject to the reporting requirements set out in Rule 20.34, the announcement requirement set out in Rule 20.35 and/or the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules. An application has been made to the Stock Exchange for a waiver from strict compliance with Rule 20.35 and Rule 20.36 of the GEM Listing Rules and the Stock Exchange has granted the waiver on the conditions that the Company will comply with Rules 20.26(1), 20.26(2), 20.27 and 20.28 of the GEM Listing Rules. Details of such waiver are set out in the paragraph "Connected transactions" under the section headed "Waivers from compliance with the GEM Listing Rules".

UNDERTAKINGS

Upon completion of the Reorganisation, the Company will operate the businesses and assets transferred from the Predecessor Entities and will continue with the design and development of embedded technology and embedded system products. To facilitate the research and development of the Company's embedded system products, Peking University (on behalf of the Institutes) and the Four Domestic Promoters have agreed not to compete with the Company in the manufacture or sale of products relating to the businesses/assets transferred pursuant to the Reorganisation which are detailed as follows:–

(i) Business Transfer Agreements dated 17th April, 2000 between each of the Predecessor Entities and the Company

Non-competition provisions

In connection with the Reorganisation, each of the Predecessor Entities transferred a total of five businesses into the Company pursuant to four separate Business Transfer Agreements. Each of these Business Transfer Agreements contains the following non-compete undertakings by the relevant transferor in relation to the businesses so transferred:

- (a) the transferor will not, and will procure that none of its associates will, engage or participate in any production inside or outside the PRC which will directly or indirectly compete with the relevant products then manufactured by the Company;
- (b) the transferor will and will procure its associates to give the Company the first right of refusal in respect of any new technology, designs, systems, development, software or patents developed by it or its associates and which relate directly to the Company's business; and

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- (c) the transferor will or will procure its associates to promptly provide the Company with any useful commercial information which relates to the Company's business after the effective date of the relevant Business Transfer Agreement.

(ii) Non-competition by Peking University on behalf of the Institutes

In connection with the Reorganisation, Peking University on behalf of the Institutes entered into a non-competition agreement dated 17th April, 2000 ("First Non-competition Agreement") with the Company whereby Peking University on behalf of the Institutes irrevocably undertakes to the Company and its associated enterprises that, among other things, the Institutes will not directly or indirectly through their respective associated enterprises (a) engage or participate in any business activities or (b) hold any interests or benefits in or by any other means engage or participate in any business activities, which may compete directly or indirectly with the embedded system products of the Company or any of its associated enterprises within or outside the PRC.

Under the First Non-competition Agreement, "associated enterprise" to anyone of the two parties is defined to include any enterprise of which it controls 30% or more of any class of the issued capital or is entitled to 30% or more of the voting rights or entitled to enjoy 30% or more of the after tax profits of that enterprise and an "associated enterprise" includes any associated enterprises of that associated enterprise.

The First Non-competition Agreement further provides for termination of the agreement in the event of withdrawal of listing of the H Shares on GEM or the aggregate shareholding percentage of the Four Domestic Promoters in the Company falls below 20%.

(iii) Non-competition by the Four Domestic Promoters

In connection with the Reorganisation, the Four Domestic Promoters entered into a non-competition agreement dated 17th April, 2000 ("Second Non-competition Agreement") with the Company whereby the Four Domestic Promoters irrevocably undertakes to the Company and its associated enterprises, among other things, that each of them will not directly or indirectly through their respective associated enterprises (a) engage or participate in any business activities or (b) hold any interests or benefits in or by any other means engage or participate in any business activities, which may compete directly or indirectly with the embedded system products of the Company or any of its associated enterprises within or outside the PRC.

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Under the Second Non-competition Agreement, “associated enterprise” to anyone of the two parties is defined to include any enterprise of which it controls 30% or more of any class of the issued capital or is entitled to 30% or more of the voting rights or entitled to enjoy 30% or more of the after tax profits of that enterprise and an “associated enterprise” includes any associated enterprises of that associated enterprise.

The Second Non-competition Agreement further provides for termination of the agreement in the event of withdrawal of listing of the shares of the Company on GEM or the aggregate shareholding percentage of the Four Domestic Promoters in the Company falls below 20%.

- (iv) Peking University undertakes to and covenants with the Company, the Sponsor, Tai Fook Securities and the Placing Underwriters that Jade Bird Software and Yu Huan would be wholly-owned by it for a period covering the remainder of the financial year from the date of listing of the H Shares on the Stock Exchange and the two financial years thereafter.