
UNDERWRITING

PLACING UNDERWRITERS

Tai Fook Securities
BOCI Asia Limited
Daiwa Securities SB Capital Markets Hong Kong Limited
Guotai Junan Securities (Hong Kong) Limited
JS Cresvale International Limited
KGI Asia Limited
Oriental Patron Asia Limited
Polaris Securities (Hong Kong) Limited
Shenyin Wanguo Capital (H.K.) Limited
Sinpac Securities (Hong Kong) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Placing and Underwriting Agreement

Pursuant to the Placing and Underwriting Agreement, the Company is offering the H Shares for subscription by way of Placing, on and subject to the terms and conditions of this prospectus. Subject to, among other conditions, listing of and permission to deal in the H Shares in issue and to be issued as mentioned in this prospectus being granted by the GEM Listing Committee of the Stock Exchange on or before 19th August, 2000 (or such later date as Tai Fook Securities on behalf of the Placing Underwriters may agree in writing with the Company), the Placing Underwriters have severally agreed to subscribe for, or procure places to subscribe, for the Placing Shares.

Grounds for termination

The Placing Underwriters are entitled to terminate their obligations under the Placing and Underwriting Agreement upon occurrence of the following events prior to 10:00 a.m. on 26th July, 2000 (or such later date as Tai Fook Securities on behalf of the Placing Underwriters may agree in writing with the Company):

- (i) there shall develop, occur or come into effect:
 - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the reasonable opinion of Tai Fook Securities on behalf of the Placing Underwriters has or may have a material adverse effect on the business or financial conditions or prospects of the Company taken as a whole; or
 - (b) any change in Hong Kong, the PRC, Taiwan, Asia, national, regional or international financial, political, military, economic conditions or prospects;
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- (c) any change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (e) a change or development involving a prospective change in Hong Kong, the PRC or Taiwan taxation or exchange controls which will or can reasonably be expected to materially and adversely affect the Company as a whole or the present or prospective shareholders of the Company in their capacity as such;

and any such event, in the reasonable opinion of Tai Fook Securities on behalf of the Placing Underwriters, has or may have a material adverse effect on the success of the Placing; or

- (ii) there comes to the notice of Tai Fook Securities any matter or event: (a) showing any of the representations and warranties contained in the Placing and Underwriting Agreement to be untrue or inaccurate or if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect reasonably considered by Tai Fook Securities on behalf of the Placing Underwriters to be material or (b) showing any of the undertakings contained in the Placing and Underwriting Agreement or other obligations or undertakings expressed to be assumed by or imposed on the Company, the Initial Management Shareholders and the significant shareholder named therein and the executive Directors under the Placing and Underwriting Agreement not to have been complied with in any respect reasonably considered by Tai Fook Securities to be material; or
- (iii) any material statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any respect; or
- (iv) there is any adverse change in the business or in the financial or trading position or prospects of any member of the Company which in the reasonable opinion of Tai Fook Securities on behalf of the Placing Underwriters is material in the context of the Placing.

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Undertakings

Jade Bird Software has undertaken to and covenanted with the Company, the Sponsor, Tai Fook Securities and the Placing Underwriters that for a period of two years from the date of listing of the H Shares on the Stock Exchange:–

- (i) it shall remain the beneficial owner of at least 46% of the registered capital of Jade Bird; and
- (ii) it and parties acting in concert with it shall control the composition of a majority of the board of directors of Jade Bird.

Jade Bird has undertaken to and covenanted with the Company, the Sponsor, Tai Fook Securities and the Placing Underwriters that for a period of two years from the date of listing of the H Shares on the Stock Exchange:–

- (i) it shall remain the beneficial owner of at least 23.03% of the stocks of Beijing Tianqiao; and
- (ii) it and parties acting in concert with it shall control the composition of a majority of the board of directors of Beijing Tianqiao.

The Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from compliance with the obligations under Rules 13.16(1) and 13.18(1) of the GEM Listing Rules in that every initial management shareholder and significant shareholder (as appropriate) is not required to:

1. in the case of an initial management shareholder, place in escrow his/her relevant shares for a period of two years from the listing date; and
2. in the case of a significant shareholder, place in escrow his/her relevant shares for a period of six months from the listing date.

Further details of the above are set out in the sub-section headed “Escrow Arrangements” in the section headed “Waivers from Compliance with the GEM Listing Rules” in this prospectus.

Notwithstanding the above, the Four Domestic Promoters, each of Dynamic Win, New View Venture Limited, Asian Technology Investment Company Limited and Mr. Xu Zhen Dong have undertaken to and covenanted with the Company, the Sponsor, Tai Fook Securities and the Placing Underwriters that if the relevant PRC laws and regulations prohibiting transfer of promoter’s shares shall cease to be effective at any time within 2 years from the listing date, they will take such steps and/or execute such documents and/or give such undertakings as the Sponsor may reasonably request so as to comply with the intent and purposes of the GEM Listing Rules.

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The Company has undertaken to and covenanted with the Placing Underwriters that, and the Four Domestic Promoters, each of Dynamic Win, New View Venture Limited, Asian Technology Investment Company Limited and the executive Directors have undertaken and covenanted with the Placing Underwriters to procure that the Company will not, save pursuant to the Placing, or the grant of any options under the Share Option Scheme or the exercise of any options granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, or any capitalisation issue or any consolidation, sub-division or capital reduction of Shares, (a) within the period of six months from the listing date, issue or agree to issue any shares or securities of the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any securities of the Company, and (b) at any time during the period of twelve months from the listing date, issue any shares or securities of the Company or grant or agree to grant any options, warrants or other rights carrying the right to subscribe for, or otherwise convert into or exchange for shares or securities in the Company so as to result in Peking University ceasing to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company.

Each of the Company, the Four Domestic Promoters, each of Dynamic Win, New View Venture Limited, Asian Technology Investment Company Limited and the executive Directors has undertaken to and covenanted with the Placing Underwriters that save with the prior written consent of Tai Fook Securities on behalf of the Placing Underwriters (such consent not to be unreasonably withheld or delayed), the Company or its subsidiaries (if any) will not within the period of six months from the listing date purchase any securities of the Company.

The Four Domestic Promoters have undertaken to and covenanted with the Company and the Placing Underwriters that they will indemnify and keep the Company indemnified against any and all tax liability falling on the Company which might be payable by the Company in respect of any income, profits or gains earned, accrued or received on or before the date of the Placing and Underwriting Agreement, save in the following circumstances:

- (a) to the extent that provision has been made for such taxation in the audited combined accounts of the Company up to 31st December 1999;
- (b) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof coming into force after the date of the Placing and Underwriting Agreement or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the Placing and Underwriting Agreement with retrospective effect; and
- (c) to the extent that such tax liability has not been specifically assumed by the Company pursuant to the Reorganisation.

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Commission

The Placing Underwriters will receive a commission of 3.5% of the aggregate Placing Price of the H Shares, out of which they will pay any sub-underwriting commissions. The Sponsor will, in addition, receive a documentation fee. The underwriting commission, documentation fee, transaction levy, brokerage, legal and other expenses relating to the Placing are estimated to be approximately HK\$30 million (assuming the Over-allotment Option is not exercised) and is payable by the Company.

Sponsor's and Underwriters' interests in the Company

Save for (i) the obligations of the Sponsor and the Placing Underwriters under the Placing and Underwriting Agreement; (ii) the advisors and documentation fee payable to the Sponsor as sponsor of the Placing; and (iii) the Sponsor's interests under the sponsor agreement to be made between the Sponsor and the Company whereby the Sponsor will be retained as sponsor of the Company up to 31st December, 2002, none of the Sponsor and the Placing Underwriters have any shareholding interests in the Company or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Company or has any interest in the Placing.