

INTERIM RESULTS REPORT

For the six months ended 30 June 2000



Beijing Beida Jade Bird Universal Sci-Tech Company Limited



北京北大青鳥環宇科技股份有限公司
Beijing Beida Jade Bird Universal Sci-Tech Company Limited
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

INTERIM RESULTS
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Highlights

- Accomplished a net profit of RMB9,382,798
- Achieved a turnover of RMB15,665,741, representing an approximately 8.2 times increase in turnover as compared with the turnover for the corresponding period last year
- Earnings per share is RMB0.134
- Successful entry to GEM as a publicly listed companies

INTERIM RESULTS

The board of Directors (the "Board") of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "Company") is pleased to announce the unaudited results of the Company for the six months ended 30 June 2000.

The unaudited turnover of the Company for the six months ended 30 June 2000 was amounting to RMB15,665,741, representing an increase of RMB13,965,677 or a growth of 821% as compared to the half-year results of 1999.

The unaudited net profit of the Company was amounting to RMB9,382,798 resulting from the growth in turnover. The net profit margin for the six months ended 30 June 2000 represented a substantial improvement in the operating results as compared to the unaudited results for the six months ended 30 June 1999.



The unaudited results of the Company for the six months ended 30 June 2000 together with the unaudited comparative figures for the corresponding period in 1999 are as follows :

	Note	Six months ended 30 June 1999 RMB	Six months ended 30 June 2000 RMB	Six months ended 30 June 2000 ※HK\$
REVENUES	2	1,700,064	15,665,741	14,745,615
COST OF REVENUES		(1,218,412)	(1,428,915)	(1,344,988)
Gross Margin		481,652	14,236,826	13,400,627
OPERATING EXPENSES				
Research and development		(1,857,641)	(2,784,243)	(2,620,711)
Selling, general and administrative		(1,465,200)	(1,993,228)	(1,876,156)
Total operating expenses		(3,322,841)	(4,777,471)	(4,496,867)
(Loss) Profit from operations		(2,841,189)	9,459,355	8,903,760
OTHER LOSS, NET		(178,616)	(76,557)	(72,060)
(LOSS) PROFIT BEFORE TAXATION	3	(3,019,805)	9,382,798	8,831,700
TAXATION		-	-	-
NET (LOSS) PROFIT ATTRIBUTIBLE TO SHAREHOLDERS		(3,019,805)	9,382,798	8,831,700
(LOSS) EARNINGS PER SHARE - BASIC	4	(0.043)	0.134	0.126

※Translation of amounts from RMB into Hong Kong dollars (“HK\$”) for the convenience of the reader has been made at the rate quoted by the People’s Bank of China on 30 June 2000 of HK\$1.00 = RMB1.0624.



1. Reorganization and basis of presentation

The Company was incorporated in the People's Republic of China ("the "PRC") on March 29, 2000 as a joint stock company with limited liability under the PRC Company Law. In preparation for a listing of the Company's H shares on GEM, a "Reorganization" as set out in the Company's Prospectus dated 20 July 2000 was completed on April 17, 2000. The Company was listed on GEM on 27 July 2000.

The unaudited results of the Company include the unaudited combined results of operations of the Predecessor Entities now comprising the Company as if the Reorganization had been completed as at the beginning of and the business activities had been conducted by the Company throughout the period presented.

The principal accounting policies adopted in preparing the unaudited results conform to accounting principles generally accepted in Hong Kong. Significant inter-company transactions and balances among the Predecessor Entities have been eliminated on combination.

2. Revenues

Revenues include sales of embedded system products, mainly the GPS application system, network security products, ASIC, smart card application system and wireless fire alarm system after deducting the applicable sales taxes.

3. Taxation

Enterprise income tax

No provision for PRC enterprise income tax ("EIT") is provided as the Company is currently under the tax holiday period. The Company, being located in the New Technology Industrial Development Experimental Zone ("NTIDEZ") in Beijing and registered as a new and High Technology Enterprise, is entitled to a reduced EIT rate of 15% and a tax holiday of three years full exemption from EIT starting from the first operating year, followed by a 50% reduction from the fourth to sixth year.

No provision for Hong Kong profits tax was made as the Company had no assessable profits for the six months ended 30 June 2000. (1999 : Nil)

As at 30 June 2000, there were no significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, which would result in deferred taxation



Value-added tax (“VAT”)

Under the “Provisional Regulations of the People’s Republic of China on Value-added Tax”, the Company is subject to output VAT levied at the rate of 17% on the sales or transfer of tangible goods in the PRC, provision of processing, repairs and replacement services. Input VAT paid on purchases can be used to offset the output VAT levied on operating revenue to determine the net VAT payable.

Business tax (“BT”)

The Company is subject to BT on the provision of maintenance, support and training services in the PRC. The BT rate is 5% on gross revenues.

4.Earnings per share

The calculation of the basic earnings per share for the six months ended 30 June 2000 is based on the unaudited net profit attributable to shareholders of RMB9,382,798 (1999 – net loss of RMB3,019,805) and the 70,000,000 shares (1999 : 70,000,000 shares) issued, as a result of the Reorganization in April 2000, as if those shares had been in issue since 1 January 1999.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (1999: Nil)

BUSINESS REVIEW

Introduction

The Company has achieved a tremendous growth in the operating results for the first half of this financial year. For the six months ended June 30, 2000, the Company has accomplished a revenue of RMB15,665,741 and a net profit margin of RMB9,382,798. This represents a growth of 8.2 times in total revenue as compared to the same period in prior year. The embedded system technology of the Company continues to be the key for this successful growth. Due to the optimal performance of the Company’s application software and integrated circuits technology, the Company is in a leading position in the domestic market. Meanwhile, the accomplishment of the Reorganization of the businesses of Predecessor Entities enhanced the Company’s ability in management and marketability. Therefore, the Company’s financial conditions changed favorably and the revenue as well as the net profit also increased substantially.



Marketing

The Company has actively engaged in the recommendation of the emerging technical products and technology to its potential clients, and the promotion of the application of new technical products. In April this year, the Company had attended the Banking and Financial Electronic Modernization Forum in Beijing hosted by the People's Bank of China. In May this year, the Company had participated in the PRC Government Network Security High Level Discussion held in Beijing. In June this year, the Company had joined the advanced discussion on the Government Information Web organized by the Secretary Bureau of the State Council in Kunming. The Company had also participated in or organized information security technology discussion with several institutions such as Information Industry Ministry, the Government Information Centre of Beijing and the department of Ministry of Public Security of Hubei Province, etc. The above-mentioned activities have attributed to these ministries, commissions and institutions a better understanding of the latest technologies, and also enhanced the Company's image as a technological leader in the information security field. The Company firmly believes that with the potential clients' better understanding of the new technology, the PRC information security market would embrace drastic growth and thus bring favorable rewards to the Company.

In May this year, the Company had taken part in the International Social Public Security Products Exhibition in Shenyang, International Week of Beijing High and New Technology Industry. In June this year, the Company had joined the Software Exhibition in Beijing, and had organized road shows of products in Beijing, Shanghai, Guangzhou and other cities. The Company was also alert to promote the corporate image in various media so as to create an affirmative market image for the listing on GEM and also selectively advertise the Company's products in some professional newspapers and magazines. These exhibitions and advertising activities have contributed to the clients' better understanding of the Company and its products. In this way the Company's new technical products would be promoted to the market and hence the clients instantly.

The Company intends to establish representative offices in major cities in the PRC. The Company has presently established a branch in Shenzhen and has commenced the preparatory work for establishment of a representative office in Shanghai. Apart from the close cooperation with Jade Bird, the Company has concluded certain products sales agent agreements with renowned corporations in the United States of America and Germany on cooperation in the network information security technology and products. Formal cooperation activities are expected to commence in the coming half year. Establishment of these representative offices and channels has enhanced the Company's market coverage and improved the marketing ability.

Product Development

The Company continues to enlarge the development force in the embedded system technology. In the first half of 2000, the Company has initiated the design of the Instruction Processing Module of the embedded system chips. By now, the design of the system architecture and circuits has been completed, and the module design would also be accomplished soon.

The Company has designed and developed the network security firewall products ratified by the Ministry of Public Security with sales license and would continue to modify the network security products. The e-mail filter software developed by the Company has been put into trial application by the department of Ministry of Public Security of Jiangsu province. Release of the above-mentioned emerging products would enhance the production lines in information security and would provide a total solution schemes to the potential clients.



The Company has completed the investigation and survey on the development of the technology basis of the second-generation security IC, and has presented the survey report to the State Cryptography Control Office for reference.

The Company has developed and further modified the Campus Financial IC Card application system. The system popularizes and facilitates the application of IC card by not only providing the campus card with various management functions within the campus, but also the payment functions similar to financial cards.

Ratification and Approval

The Company's network security firewall products have received the security products sales license by the Ministry of Public Security.

Production and Sales

The Company has achieved the manufacturing plan of Security IC during the first half of this year, and has maintained good relationship with the major consumers such as Fujian New Land Computer Company Limited and Founder Order Computer System Company Limited.

The Company has been finalizing the construction project of the GPS application system of Sichuan Tianmu Monitored Security System Company Limited, and actively expanding the market in Henan, Nemenggu and other major cities in the PRC. Major breakthrough is expected to achieve in some major cities in the coming half year.

The Company has been achieving the "IC Card in One" development in the Campus financial IC Card Project in several universities. Succeeding the good relation between Jade Bird and certain governmental units, the Company has participated in several information system construction projects launched by the government. The Company has launched the "IC Card in One" project for the Information Industry Ministry, the State Planning Commission, the State Scientific and Technological Committee, the Propaganda Department of the Central Committee of the PRC and other governmental units. The Company has also entered into contract with the local government of Haikou, Hainan Province, the PRC for provision of networking wireless fire alarm system .

The above-mentioned cases signify the potential and compatibility of the Company's total solution scheme in the PRC and. bring along the overall increase in revenue of the Company.

FUTURE PROSPECTS

In the first half of 2000, the Company has achieved substantial growth in the operating results. It is expected that, the Company's investment in the technology and product development as well as aggressive marketing activities would contribute significantly certainly bring huge benefits to the Company's long-term benefit .

Meanwhile, the Company's successful debut on GEM provided the Company with solid financial support, accelerating its growth and enhancing its market leadership.



The PRC government has recently formulated and approved the preferential policy to encourage the development of software and integrated circuits industries. As the Company focuses mainly on the development of software and integrated circuits for embedded system, the Company would undoubtedly enjoy the powerful support from the PRC government and result in a rapid development of the Company.

The Company will continue to enlarge the investment in research and development, an example of which is to introduce a number of advanced equipment from abroad for the development and testing of the embedded system.

As a hi-tech Company with solid foundation, the Company is capable of achieving outstanding achievements in the rapidly growing and constantly changing PRC market.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 27 July 2000 (the dealing commencement date of the Company's H shares on GEM), except for those shares held through Heng Huat Investments Limited ("Heng Huat") as set out below, none of the Directors and the supervisors of the Company (the "Supervisors") or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations, if any, pursuant to section 29 of the SDI Ordinance.

Heng Huat

Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue, all executive Directors of the Company, are trustees holding 60, 20 and 20 shares out of 100 shares in the issued share capital of Heng Huat. Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue are also directors of Heng Huat.

By a Declaration of Trust made as a deed on 19 July 2000, Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue declared that they held the shares of Heng Huat as trustees for the benefits of 477 employees of the Jade Bird Group and the Company. Heng Huat and Gameraian Limited are the two shareholders beneficially entitled to approximately 93.37% and approximately 6.63% respectively in the issued share capital of Dynamic Win Assets Limited ("Dynamic Win").



The beneficial interests of the Directors and Supervisors in the share capital of the Company are deemed as follows:

Director/Supervisor	Type of interests	Number of Shares	Percentage of deemed beneficial interest in the Company's share capital
Mr. Xu Zhen Dong	Other	7,687,414	8.178%
Mr. Zhang Wan Zhang	Other	2,173,224	2.312%
Ms. Liu Yue	Other	2,173,224	2.312%
Mr. Xu Zhi Xiang	Other	808,650	0.860%
Mr. Chen Zhong	Other	808,650	0.860%
Prof. Yang Fu Qing	Other	1,212,975	1.290%
Prof. Wang Yang Yuan	Other	1,212,975	1.290%
Mr. Zhang Yong Li*	Other	404,325	0.430%
Mr. Li Chun*	Other	33,668	0.036%
Mr. Fan Yi Min*	Other	15,160	0.016%

* Supervisors

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

As at 27 July 2000, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 27 July 2000, the only persons directly or indirectly entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of the Company, or otherwise interested in 10% or more of the issued share capital of the Company were as follows:

Shareholder	Number of Promoters shares	Approximate effective interests in the Company
Peking University (Note 1)	22,134,535	23.55%
Beijing Beida Jade Bird Software System Company ("Jade Bird Software") (Note 2)	13,634,535	14.51%
Dynamic Win (Note 3)	22,000,000	23.40%
Heng Huat (Note 3)	20,541,400	21.85%

**Notes :**

- (1) Peking University, through Jade Bird Software, Jade Bird, Yu Huan and Beijing Tianqiao, has effective interests in the Company comprising :
 - (a) 8,500,000 shares (representing approximately 9.04% of the Company's issued share capital) held by Yu Huan, which is beneficially wholly-owned by Peking University;
 - (b) 11,000,000 shares (representing approximately 11.70% of the Company's issued share capital) held by Jade Bird Software, which is beneficially wholly-owned by Peking University;
 - (c) 1,840,000 shares (representing approximately 1.96% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Peking University;
 - (d) 794,535 shares (representing approximately 0.85% of the Company's issued share capital) held through Beijing Tianqiao, which is approximately 10.60% owned by Peking University.
- (2) The interests of Jade Bird Software comprises :
 - (a) 11,000,000 shares (representing approximately 11.70% of the Company's issued share capital) held by Jade Bird Software;
 - (b) 1,840,000 shares (representing approximately 1.96% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Jade Bird Software;
 - (c) 794,535 shares (representing approximately 0.85% of the Company's issued share capital) held through Beijing Tianqiao, which is approximately 10.60% owned by Jade Bird Software.
- (3) Dynamic Win is a limited liability company incorporated in Hong Kong under the Companies Ordinance, the shareholding of which is held as to approximately 6.63% by Gamerian Limited and approximately 93.37% by Heng Huat. Gamerian Limited is a wholly owned subsidiary of New World CyberBase Limited, which is a company whose shares are listed on the Main Board of the Stock Exchange. Heng Huat is a company incorporated in the British Virgin Island, the entire issued share capital of which is held by three of the executive directors of the Company as trustees for the benefits of the qualified employees of the Jade Bird Group and the Company.

SPONSOR'S INTEREST

As at 30 June 2000, the Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), its directors, employees or associates, did not have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

Pursuant to the agreement dated 19 July 2000 between the Company and Tai Fook, Tai Fook has received a fee for acting as the Company's retained sponsor for the period from 27 July 2000 to 31 December 2002.



COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Company.

YEAR 2000 COMPLIANCE

Year 2000 has already begun and the Company so far has not experienced any technical failure caused by possible Year 2000 problem and all its computer-related operations remain intact. After the commencement of the year 2000, the Company remains alert to any possible Year 2000 failures and the Company's computer system is closely monitored so that any Year 2000 problems will receive immediate response thereby ensuring the steadiness and safety of the Company's computer system.

AUDIT COMMITTEE

The Company established an audit committee on July 5, 2000 with terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Company. The Audit Committee has two members namely, the two independent non-executive Directors, Ms. Liu Yong Ping and Prof. Nan Xiang Hao.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S H SHARES

For the six months ended 30 June 2000, the Company did not purchase, sell or redeem any of the Company's H shares.

By order of the Board
Xu Zhen Dong
Chairman

14 August 2000

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