

INTERIM RESULTS REPORT
FOR THE PERIOD ENDED 30 JUNE 2002



青鸟环宇
JADE BIRD UNIVERSAL

北京北大青鸟环宇科技股份有限公司
Beijing Beida Jade Bird Universal Sci-Tech Company Limited



北京北大青鸟环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)

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This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



北京北大青鸟环宇科技股份有限公司

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Highlights

- Turnover is RMB86 million, an increase of 111% as compared to the corresponding period last year.
- Operating profit is RMB21 million, an increase of 205% as compared to the corresponding period last year.
- Earnings before interest, tax, depreciation and amortisation is RMB24 million.
- Profit attributable to shareholders is RMB10 million, a decrease of 28% as compared to the corresponding period last year.
- Earnings per share is RMB1.00 cents.
- Beijing Jade Bird Haodi Electric System Company Limited currently has over 120,000 domestic users from Shangdong, Jiangsu, Liaoning, Inner Mongolia, Guangdong, Guizhou, Shanxi, Henan and other provinces.
- Established a DVR business unit for promoting the application of digital video recorder technology to public security and business administration.
- Jade Bird Gateway Firewall, JB-FW V2.2, has been awarded the Golden Prize by the Committee of the 2002 China International Software Exposition and Technology Seminar. The Golden Prize is one of the highest recognition in the software industry.
- Jade Bird GPS Monitoring System V2.0, has been awarded the Innovation Prize by the Committee of the 2002 China International Software Exposition and Technology Seminar. The Innovation Prize is recognition to the newly developed product which has potential in both the industry and the market.

BUSINESS REVIEW

Introduction

For the period ended 30 June 2002, the Group has accomplished turnover of RMB85,969,000 and an operating profit of RMB20,566,000. This represented an increase of 111% in revenue and 205% in operating profit as compared to the corresponding period last year.

Due to the bank loans interest of RMB12,676,000 was paid during the period ended 30 June 2002, the profit attributable to shareholders was decreased by RMB3,822,000 or 28% as compared to the corresponding period last year.

Liquidity and Financial Resources

The Group has financed its operation mainly by equity and funds generated from operating activities.

As at 30 June 2002, the Group has cash on hand of RMB299 million. In addition, the Group has short-term bank loans totalling RMB393 million. Included in the bank loans, a bank loan of RMB390 million has been renewed and reduced to RMB360 million in July 2002.

Turnover

For the period ended 30 June 2002, approximately 27%, 48% and 25% of the turnover were derived from the sales of embedded system products and related products, sales of computer products and the provision of total solution services respectively.

New Products

In February 2002, the Company has acquired 51% equity interest of Beijing Jade Bird Haodi Electric System Company Limited ("Jade Bird Haodi"), which is engaged in the development and manufacture of remote automatic meter-reading systems. Its major products are low voltage remote meter reading system, charges meter reading system, medium voltage remote testing system, small district intelligent meter-reading system and small district wireless meter-reading system. Jade Bird Haodi currently has over 120,000 domestic users from Shangdong, Jiangsu, Liaoning, Inner Mongolia, Guangdong, Guizhou, Shanxi, Henan and other provinces.

In April 2002, the Company has established a DVR business unit for promoting the application of digital video recorder ("DVR") technology to the public security and business administration. The DVR technology has been developed and applied to improve the problems in recording mode, quality of resolution, instant image communication and image information storage.

Investment in Semiconductor Manufacturing International Corporation (“SMIC”)

Approvals from the relevant PRC approving authorities have been obtained for the investment of USD60 million, representing 5.29% equity interest, in SMIC. SMIC held 100% equity interest in Semiconductor Manufacturing International (Shanghai) Corporation (“SMIC Shanghai”). The principal business of SMIC Shanghai was manufacture, probe test and testing of semiconductor (silicon and compound semiconductor), integrated circuit chips, research and development, design, technical services, mask manufacture, testing and packaging and sale of proprietary IC-related products. SMIC Shanghai manufactured 8-inch wafers and the current production capacity was 5,000 to 10,000 wafers per month.

Awards

Jade Bird Gateway Firewall, JB-FW V2.2, has been awarded the Golden Prize by the Committee of the 2002 China International Software Exposition and Technology Seminar. The Golden Prize represented one of the highest recognition in the software industry.

Jade Bird GPS Monitoring System V2.0, has been awarded the Innovation Prize by the Committee of the 2002 China International Software Exposition and Technology Seminar. The Innovation Prize represented that the newly developed product has potential in both the industry and the market.

Staff

At present, the Group has employed approximately 180 employees. Among the employees, 8 of them possess the doctor degree, 15 of them possess the master degree and 85 of them possess the bachelor degree. In addition, under the current organization structure, the research, development and technical support team has over 109 members.

OUTLOOK

The research and development staff of the Group has been striving to innovate new products so as to achieve a leading position among the existing products in terms of product technology and application.

For integrated circuits, the Company is developing the 3rd generation Security ICs for application in the commercial information security system. It is expected that such products would be ready for sales in the market in the second half of this year. The Company has been actively seeking for cooperation with the cryptography algorithms research unit for developing new products. For example, the IP cores for symmetric key cryptography algorithms, IP cores for ECC, SoC for network data encryption and decryption. Preparation work for research and development has been done by the Company.

For network information security, the Company would strive to enhance the development of high speed main frame control system and the upgrade of network security products.

Jade Bird Haodi would develop new products to expand its market share, say, by establishing trial sales markets in Liaoning, Guizhou and Jiangxi provinces etc. It is expected that the medium and low voltage domestic users could be increased by 30,000 units.

The Company would further expand the application scope of the digital video recorder technology, including in finance, postal and communication, public security, sensitive government departments, transportation, medical and education etc. Particularly, because of the special requirement relating to the teller system and the automatic teller machines of the banking industry, the existing monitoring system is expected to be replaced by the digital video recorder technology in two to three years.

For marketing, the sales and marketing personnel of the Company has been negotiating with sales agents in Changchun, Shanghai, Tianjin, Jiangsu, Jiangxi, Inner Mongolia, Heilongjiang, Yunnan and Ningxia etc. for establishing sales agents network in order to enhance a greater market share and attract more customers. In addition, the Company would actively participate in exposition and seminars on high technology for obtaining more business and technology exchange opportunities.

The production and sales of SMIC Shanghai are running as planned, the Company expects that the return on the investment in SMIC could start to realize next year.

The management of the Company hopes that the placing of 140,000,000 new H Shares could be completed before the end of September of this year.

INTERIM RESULTS

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Note	1/4/2002 to 30/6/2002 RMB'000	1/4/2001 to 30/6/2001 RMB'000	1/1/2002 to 30/6/2002 RMB'000	1/1/2001 to 30/6/2001 RMB'000
Turnover	2	58,236	27,282	85,969	40,794
Other revenue		630	–	630	–
Operating expenses:					
Material and equipment		(35,136)	(10,705)	(45,049)	(18,569)
Employment costs		(5,104)	(4,735)	(8,905)	(8,282)
Depreciation of fixed assets		(944)	(1,052)	(1,855)	(2,030)
Amortisation of goodwill		(1,425)	–	(2,590)	–
Other operating expenses		(5,293)	(2,717)	(7,634)	(5,163)
Profit from operations		10,964	8,073	20,566	6,750
Interest income		1,205	2,983	2,270	6,710
Interest expense		(6,393)	–	(12,676)	–
Profit before taxation and minority interest		5,776	11,056	10,160	13,460
Taxation	3	–	–	–	–
Profit before minority interest		5,776	11,056	10,160	13,460
Minority interest		(607)	–	(522)	–
Profit attributable to shareholders		5,169	11,056	9,638	13,460
Retained earnings, beginning of period		45,633	16,556	41,164	14,152
Retained earnings, end of period		50,802	27,612	50,802	27,612
Earnings per share					
– basic (RMB cents)	4	0.54	1.15	1.00	1.40

A separate statement of recognised gains and losses is not presented because there were no recognised gains or losses other than the profit attributable to shareholders.

CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2002	(Audited) 31 December 2001
	Note	RMB'000	RMB'000
Non-current assets:			
Fixed assets	5	9,490	9,400
Long-term investments	6	406,459	388,440
Goodwill		25,140	16,625
Total non-current assets		<u>441,089</u>	<u>414,465</u>
Current assets:			
Inventories	7	19,836	16,491
Prepayments and other current assets		63,252	33,144
Loans receivable		–	33,939
Trade receivables	8	32,449	40,507
Cash and bank deposits		299,282	292,826
Total current assets		<u>414,819</u>	<u>416,907</u>
Current liabilities:			
Short-term bank loans	9	393,060	393,060
Trade and other payables	10	7,909	11,874
Accrued liabilities and other payables		23,898	10,398
Deferred revenue		17,761	8,890
Taxes payable		1,314	1,595
Total current liabilities		<u>443,942</u>	<u>425,817</u>
Net current liabilities		<u>(29,123)</u>	<u>(8,910)</u>
Total assets less current liabilities		411,966	405,555
Minority interests		(3,151)	(1,558)
Net assets		<u>408,815</u>	<u>403,997</u>
Represented by:			
Share Capital		96,400	96,400
Reserves	11	261,613	266,433
Retained profit		50,802	41,164
Shareholders' Equity		<u>408,815</u>	<u>403,997</u>

CONDENSED UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	30 June 2002 <i>RMB'000</i>
Net cash inflow from operating activities		12,697
Returns on investments and servicing of finance		
Interest paid		(12,725)
Interest received		3,642
		<u>3,614</u>
Investing activities		
Decrease in bank deposits with maturity over three months		81,503
Additions of fixed assets		(1,638)
Repayments of loans		33,939
Increase in long-term investments		(20,688)
Acquisition of a business	12	(8,771)
		<u>84,345</u>
Increase in cash and cash equivalents		87,959
Cash and cash equivalents, beginning of period		<u>114,623</u>
Cash and cash equivalents, end of period		<u><u>202,582</u></u>

1. Principal activities and basis of presentation

The Group is principally engaged in the research, development, production, marketing and sales of embedded systems and computer products, including Global Positioning System application systems, network security products, wireless fire alarm systems, application specific integrated circuits and smart card application systems, and related products. The Group is also engaged in the provision of total solution services through application of its existing embedded system products.

The principal accounting policies adopted by the Group conform to Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

2. Turnover

Analysis of turnover is as follows:

	1/4/2002 to 30/6/2002	1/4/2001 to 30/6/2001	1/1/2002 to 30/6/2002	1/1/2001 to 30/6/2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of embedded systems and related products	15,885	10,679	23,576	15,781
Sales of computer products	32,599	7,085	41,242	14,830
Provision of total solution services	9,752	9,518	21,151	10,183
	<u>58,236</u>	<u>27,282</u>	<u>85,969</u>	<u>40,794</u>
Total turnover	<u>58,236</u>	<u>27,282</u>	<u>85,969</u>	<u>40,794</u>

3. Taxation

(a) Enterprise income tax ("EIT")

The Company, being located in the Beijing New Technology Development Experimental Area and registered as a New and High Technology Enterprise, is subject to the PRC EIT at a rate of 15%. It is exempted from EIT for three years starting from the year ended 31 December 2000, its first operating year, followed by a 50% reduction of EIT from the fourth to the sixth year.

Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited, a 75% owned subsidiary established in Zhuo Lu, Hebei Province, the PRC and registered as a manufacturing enterprise, is subject to the PRC EIT at a rate of 33%. It is exempted from EIT for the first four years starting from its commencement of operations during the year ended 31 December 2001, followed by a 50% reduction of EIT from the fifth to eighth year.

Beijing Jade Bird Haodi Electric System Company Limited, a 51% owned subsidiary and established in the Beijing New Technology Development Experimental Area and registered as a New and High Technology Enterprise, is subject to the PRC EIT at a rate of 15%. It is exempted from EIT for three years starting from the year ended 31 December 1998, its year of incorporation, followed by a 50% reduction of EIT from the fourth to the sixth year.

No provision for Hong Kong profits tax was made as the Group had no profits subject to Hong Kong profits tax.

(b) Value-added tax ("VAT")

The Group is subject to VAT in the PRC levied at the rate of 17% on the amount of sales of its products as well as provision of processing, repairs and replacement services in the PRC. VAT paid on the Group's purchases can be used to offset VAT on the sales amount to arrive at the net VAT payable. In addition, the Group is entitled to refund of actual VAT paid exceeding 3% of the sales amount of certain approved software products.

(c) Business tax ("BT")

The Group is subject to BT in the PRC on the total solution services in the PRC at a rate of 5% on the related revenue.

4. Earnings per share

The calculation of earnings per share for the three and six months ended 30 June 2002 were based on the profit attributable to shareholders of approximately RMB5,169,000 and RMB9,638,000 (2001 – RMB11,056,000 and RMB13,460,000) and on the weighted average number of 964,000,000 shares in issue during the period.

With the approval by the shareholders, the Company plans to issue not more than 140,000,000 new H Shares by 30 September 2002 at the issue price of not less than HK\$1.20 per share. Since the current market price of each share of the Company at 13 August 2002 is HK\$1.09 which is lower than the aforesaid issue price per share, the directors of the Company are of the view that no diluted earnings per share is required to be presented as there were no dilutive potential ordinary shares outstanding.

5. Fixed Assets

	Six months ended 30/6/2002 <i>RMB'000</i>	Year ended 31/12/2001 <i>RMB'000</i>
Net book value, beginning of period/year	9,400	9,882
Additions	1,777	1,990
Attributable to acquisition of a business	171	1,855
Disposals	(3)	(385)
Depreciation	(1,855)	(3,942)
	<u>9,490</u>	<u>9,400</u>
Net book value, end of period/year	<u>9,490</u>	<u>9,400</u>

6. Long-term Investment

Long-term investment represents the 5.29% equity interest in SMIC, a company incorporated in the Cayman Islands and principally engaged in holding an interest in SMIC Shanghai, a wholly foreign-owned enterprise established in Mainland China engaging in the manufacturing and marketing of advanced-technology semiconductors in Mainland China. The total consideration of the acquisition is US\$60 million (equivalent to approximately RMB496 million). As at 30 June 2002, an amount of US\$49 million (equivalent to approximately RMB405 million) had been paid to SMIC. Subsequent to 30 June 2002, the remaining amount of US\$11 million (equivalent to approximately RMB91 million) was also paid to SMIC.

7. Inventories

	30/6/2002 <i>RMB'000</i>	31/12/2001 <i>RMB'000</i>
Raw materials	3,624	2,298
Work-in-progress	5,811	3,522
Finished goods	10,401	11,816
	<u>19,836</u>	<u>17,636</u>
Less: Provision for obsolete and slow-moving inventories	–	(1,145)
	<u>19,836</u>	<u>16,491</u>

As at 30 June 2002, no inventories (2001 – RMB841,000) were stated at net realizable value.

8. Trade Receivables

The Group normally grants to its customers credit periods ranging from three to six months. Aging analysis of trade receivables is as follows:

	30/6/2002	31/12/2001
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 3 months	28,845	35,123
3 to 6 months	3,223	5,339
6 to 12 months	296	45
Over 12 months	87	335
	<u>32,451</u>	<u>40,842</u>
Less: Provision for doubtful accounts	(2)	(335)
	<u>32,449</u>	<u>40,507</u>

9. Short-term bank loans

Short-term bank loans bear interest at approximately 5.31% to 6.435% per annum. Short-term bank loans are secured by:

- a. certain of the Group's buildings, machinery and equipment with a net book value of approximately RMB1,475,000; and
- b. guarantees provided by a shareholder of the Company and a subsidiary of Peking University, the ultimate controlling shareholder of the Company.

10. Trade and Other Payables

Aging analysis of trade and other payables is as follows:

	30/6/2002	31/12/2001
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 3 months	3,796	8,080
3 to 6 months	1,402	655
6 to 12 months	1,963	1,215
Over 12 months	748	1,924
	<u>7,909</u>	<u>11,874</u>

11. Movements in Consolidated Reserves

	Six months ended			Year ended	
	30/6/2002			31/12/2001	
	Share	Statutory	Proposed	Total	Total
	premium	reserves	dividends	RMB'000	RMB'000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of period	251,271	10,342	4,820	266,433	260,755
Transfer from retained profit to reserves	–	–	–	–	5,678
Declaration of dividend	–	–	–	–	4,820
Payment of dividend	–	–	(4,820)	(4,820)	(4,820)
	<u>251,271</u>	<u>10,342</u>	<u>–</u>	<u>261,613</u>	<u>266,433</u>

12. Acquisition of a Business

During the period ended 30 June 2002, the Group acquired a subsidiary – Jade Bird Haodi. The fair value of the assets acquired and liabilities assumed were as follows:

	30/6/2002 <i>RMB'000</i>
Cash and bank deposits	879
Inventories	4,730
Fixed assets, net	171
Accounts receivables	76
Advances to suppliers and other current assets	644
Accounts payables	(1,981)
Accrued expenses and other payables	(718)
Deferred revenue	(1,615)
Minority interests	(1,071)
	<hr/>
Net assets acquired	1,115
	<hr/>
Goodwill on acquisition	8,535
	<hr/>
Total purchase price	9,650
Less: Cash and bank deposits of Jade Bird Haodi	(879)
	<hr/>
Cash outflow on acquisition net of cash acquired	<u>8,771</u>

13. Related Party Transactions

Particulars of significant transactions between the Group and related parties are summarised below:

	Six months ended 30/6/2002 <i>RMB'000</i>	Six months ended 30/6/2001 <i>RMB'000</i>
Sales of embedded systems products and provision of total solution services to:		
Peking University	196	84
Beijing Tianqiao Beida Jade Bird Sci-Tech Co Ltd (“Beijing Tianqiao”)	5,973	287
Beijing Beida Jade Bird Tian Tong Information Construction Co Ltd	–	78
Aptec Beida Jade Bird Information Sci-Tech Co Ltd	948	–
Hunan Beida Jade Bird Sci-Tech Co Ltd	26	–
	<hr/>	<hr/>
	7,143	449
	<hr/>	<hr/>
Technical service fee paid/payable to Beijing Tianqiao	120	–
Rental expense for equipment paid/payable to The Institute of Microelectronics	630	–
Rental income for equipment received/receivable to The Institute of Microelectronics	630	–
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INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (2001 – Nil)

SEGMENT INFORMATION

	Six months ended 30/6/2002 RMB'000	Six months ended 30/6/2001 RMB'000
(a) Analysis by business segment (consolidated) is as follows:		
Turnover		
Global Positioning System application systems	445	22
Network security products	15,310	15,459
Wireless fire alarm systems	15,910	156
Application specific integrated circuits	4,997	4,699
Smart card application systems	1,733	5,628
Other embedded products	6,332	–
Trading of computer products	41,242	14,830
	<u>85,969</u>	<u>40,794</u>
Profit (Loss) attributable to shareholders		
Global Positioning System application systems	(351)	(606)
Network security products	9,765	8,273
Wireless fire alarm systems	8,555	(626)
Application specific integrated circuits	2,283	2,252
Smart card application systems	593	3,079
Other embedded products	2,310	–
Trading of computer products	3,491	3,524
Unallocated corporate expenses	(6,080)	(5,226)
Interest income	2,270	2,817
Interest expense	(12,676)	(27)
	<u>10,160</u>	<u>13,460</u>
Depreciation and amortisation		
Global Positioning System application systems	58	105
Network security products	365	385
Wireless fire alarm systems	1,929	23
Application specific integrated circuits	930	1,052
Smart card application systems	20	14
Other embedded products	161	–
Trading of computer products	63	–
Corporate office	919	451
	<u>4,445</u>	<u>2,030</u>

	Six months ended 30/6/2002 RMB'000	Six months ended 30/6/2001 RMB'000
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(b) An analysis by geographical location (consolidated) is as follows:**Turnover***

Mainland China	64,714	25,964
Hong Kong	21,255	14,830
	<u>85,969</u>	<u>40,794</u>

Profit attributable to shareholders

Mainland China	8,557	11,796
Hong Kong	1,603	1,664
	<u>10,160</u>	<u>13,460</u>

* Turnover by geographical location is determined mainly on the basis of the destination of delivery of merchandise.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**Business Objectives as stated
in the Prospectus****Actual business progress up to the end
of 30 June 2002****1. Embedded Systems****1.1 Software**

Encourage internally the use of small-scale embedded system software library for enhancement of the Company's existing products; Consummate operation of embedded system software library (e.g. adding change control, and synchronization control strategy)

The development of the compiling software of the embedded microprocessor has been completed and passed the performance test.

Replenish new software components to small-scale embedded system software library

The development of infrared remote control receive and dispatch system software has been completed.

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2002

1.2 Hardware

1.2.1 Embedded microprocessor

Encourage internally the use of embedded microprocessor

The proprietary 32-bit processing core has been adopted in the design of chip encryptor.

Transform the embedded microprocessor product into IP core so that IP library can be formed and IP library available for customers' trial use

The research of SoC bus has been completed and IP core was also added in the proprietary embedded microprocessor.

Integrate IP core with algorithm IP core and connect to EEPROM, ROM, RAM and other I/O bus to advocate employment of embedded microprocessor

The research on the realization of RSA encryption algorithm in ASIC products and the design of the algorithmic IP core have been completed. The EEPROM, Flash memory, RAM have been successfully integrated with the ASIC design and application of various kinds of information buses and I/O buses.

1.2.2 ASIC

Replenish new cell/module to the library

The library SCI interface module has been integrated with the encryption specific algorithm module.

Refine the existing cell/module

The circuit and domain designs of barrel shift register have been completed.

The circuit design of $\Sigma - \Delta$ modulator has been completed and the domain design is to be completed.

The domain design of the noise source has been completed.

Transceiver and SIE module are still under research and development.

Amount to be financed by the net proceeds from the Placing: RMB11,000,000

Amount utilized by the net proceeds from the Placing: RMB6,000,000

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2002

2. Products Development

2.1 Security ICs

Commence research, development and design of smart card

The technological preparation for the design and development of smart card chips has been completed. As the market for the relevant products is uncertain, feasibility study on smart card chips would be further enhanced.

2.2 Network Security Products

Commence research and development of high speed mainframe control system

The double chip and low-cost hardware design and software design of encryption card have been completed.

The integration of transparent network bridge and VPN function in accordance with IPSEC standard is about to commence and under the basic technology testing stage.

The firewall system platform based on the disk on chip has been newly developed. The integration is expected to complete at the next development stage.

Continue development of security gateway for e-commerce and bank electronic clearing system

The low-cost SJY01-B data encryption card is under performance testing.

2.3 Smart Card Application System

Continue research and develop application specific Smart Card Application System. Refine and improve intelligence household management

For the network chip card on LINUX application platform, research and development on the automatic application system, with the function of identity recognition and image collection has been conducted.

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2002

2.4 GPS Application System

Commence software design of 3rd generation GPS Application System JB-350M

Design of the 3rd generation GPS application system software for the public/specific network has been commenced. The central platform software of the public/specific network auto dispatch and monitor system has been developed.

The GPS logistics auto-dispatch and monitor system based on WEB GIS technology has been examined and improved. For JB-350M GPS application system, debug on each sub-system as well as the whole system has been conducted.

2.5 WFAS

Complete development of the next generation WFAS

The development of wireless communications between controllers has been completed.

The CRT software has been upgraded and enhanced with new functions so as to satisfy the need of customers, e.g. the system requirement of Zhongnanhai. The system has also passed the demonstration.

Amount to be financed by the net proceeds from the Placing: RMB13,000,000

Amount utilized by the net proceeds from the Placing: RMB4,300,000

3. Production

3.1 Security ICs

Commence full-scale production of the 1st, 2nd and 3rd generation Security ICs

Full-scale production of the 1st and 2nd generation Security ICs has been commenced. The fabrication and testing of the 3rd generation Security ICs have been completed and now under trial application by customers.

3.2 Network Security Products

Commenced trial production of security gateway for e-commerce

The new 3.0 gateway firewall has passed the stability and reliability test as well as the examination conducted by the Ministry of Public Security. The manufacture of the product has been commenced and ready for distribution.

Continue production of existing Network Security Products

Fifty-five sets of gateway firewall products have been manufactured.

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2002

3.3 Smart Card Application System

Commence full-scale production of security and intelligent Smart Card Application System

The research and manufacture of the IC card and image-collecting security smart card have been commenced. The application of IC card in warehouse management project has also been commenced.

Commence trial production of intelligent household management

“All-in-one Card” products have been sold to educational and commercial institutions.

Continue production of existing Smart Card Application System

100 sets of smart card reading and writing apparatuses have been produced and installed in hotel and school campus.

3.4 GPS Application System

Trial sampling of (JB350M) products

The trial production of the vehicle box of JB-350M GPS application system has been completed.

Continue full-scale production of (JB230M) and (JB420M) products

Approximately 1,000 sets of vehicle boxes of JB-230M and JB-420M application systems have been produced.

3.5 WFAS

Commence full-scale production of 3rd generation WFAS products

The functions of the existing WFAS products have been improved. The modification and finalization of the design of the 3rd generation WFAS sample products have been completed.

Continue full-scale production and assembly of existing WFAS products

The production of the 3rd generation WFAS products has been commenced.

4. Relevant approvals and permits

In May 2002, the SJY01-B PCI Data Encryption Chip passed the technology examination and was granted the “Technology Examination Certificate” by China State Cryptography Control Authority Office (“CSCCAO”).

In June 2002, the “SIK01 Secret Key Management Centre System” passed the security examination by CSCCAO.

Technological document of JB-350M terminal products and batch manufacturing license has been prepared for approval.

Business Objectives as stated in the Prospectus**Actual business progress up to the end of 30 June 2002****5. Marketing activities**

5.1 Open representative offices and after sales service centre in Dalian

In June 2002, service centres in the Southwest provinces have been established. These centers are located in Yunnan, Guizhou, Sichuan, Hunan, Guangxi and Chongqing for promoting operation, sales and services so as to increase the management efficiency and assurance of after-sales service.

5.2 Continue placing advertisements in industry-related and professional magazines. Continue placing advertisements in relevant websites (e.g. sina.com, soho.com and other websites); Formulate advertisements on television

Fire alarm products were advertised in the magazines "Fire Alarm Technologies and Products Information" and "Asia Fire Prevention and Security". Prices of certain products were included in the magazine "Beijing Project Cost Information" as the market reference prices.

5.3 Establish a comprehensive sales network in China

Negotiation for establishment of sales agents network in Changchun, Shanghai, Tianjin, Jiangsu, Jiangxi, Neimenggu, Heilongjiang Yunnan and Ningxia etc.

5.4 Participate in professional and industry-related exhibitions in China

During 23 to 28 May, the Company has participated in the "China Beijing International Sci-Tech Industry Exposition" organized by the Ministry of Science and Technology, Ministry of Foreign Trade and Economic, Ministry of Education, Ministry of Information Industry and China Council for the Promotion of International Trade.

During 5 to 7 June, the Company has participated in the "Network Information Security Products Exhibition" organized by the Ministry of Information Industry in Beijing.

5.5 Conduct trade show and seminars for the Company's new products

On 14 June, the Company has co-organized the "Network Security Technical Seminar" with the Zhejiang Provincial Government Information Centre in Hangzhou.

During 26 to 28 June, the Company has participated in the "2002 China International Software Exposition and Technology Seminar in Beijing".

Amount to be financed by the net proceeds from the Placing: RMB7,000,000

Amount utilized by the net proceeds from the Placing: RMB1,300,000

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 June 2002, 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 Company's the share capital
Mr. Xu Zhen Dong	Other	76,874,140	7.97%
Mr. Zhang Wan Zhong	Other	21,732,240	2.25%
Ms. Liu Yue	Other	21,732,240	2.25%
Mr. Xu Zhi Xiang	Other	8,086,500	0.84%
Mr. Chen Zhong	Other	8,086,500	0.84%
Prof. Yang Fu Qing	Other	12,129,750	1.26%
Prof. Wang Yang Yuan	Other	12,129,750	1.26%
Mr. Zhang Yong Li*	Other	4,043,250	0.42%
Mr. Li Chun*	Other	336,680	0.03%
Mr. Fan Yi Min*	Other	151,600	0.02%

* Supervisors

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the period ended 30 June 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30 June 2002, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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 (<i>Note 1</i>)	221,345,350	22.96%
Beijing Beida Jade Bird Software System Company ("Jade Bird Software") (<i>Note 2</i>)	136,345,350	14.14%
Dynamic Win (<i>Note 3</i>)	220,000,000	22.82%
Heng Huat (<i>Note 3</i>)	205,414,000	21.31%

Notes:

- (1) Peking University, through Jade Bird Software, Beijing Beida Jade Bird Limited ("Jade Bird"), Beijing Beida Yu Huan Microelectronics System Engineering Company ("Yu Huan") and Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited ("Beijing Tianqiao"), has effective interests in the Company comprising:
- (a) 85,000,000 shares (representing approximately 8.82% of the Company's issued share capital) held by Yu Huan, which is beneficially wholly-owned by Peking University;
 - (b) 110,000,000 shares (representing approximately 11.41% of the Company's issued share capital) held by Jade Bird Software, which is beneficially wholly-owned by Peking University;
 - (c) 18,400,000 shares (representing approximately 1.91% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Peking University;
 - (d) 7,945,350 shares (representing approximately 0.82% 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) 110,000,000 shares (representing approximately 11.41% of the Company's issued share capital) held by Jade Bird Software;
 - (b) 18,400,000 shares (representing approximately 1.91% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Jade Bird Software;
 - (c) 7,945,350 shares (representing approximately 0.82% 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 Gameraian Limited and approximately 93.37% by Heng Huat. Gameraian 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 Islands, 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 2002, none of the Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), its directors, employees or associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the Sponsor's agreement dated 19 July 2000 between the Company and Tai Fook, Tai Fook 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, the management shareholders of the Company and their respective associate (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 5 July 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. As at 30 June 2002, the Audit Committee has two members namely, the two independent non-executive Directors, Prof. Nan Xiang Hao and Mr. Ambrose Chin Man Chung.

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

For the period ended 30 June 2002, the Company did not purchase, sell or redeem any of the Company's H shares.

By order of the Board
Xu Zhen Dong
Chairman

Beijing, the PRC, 13 August 2002.