

Interim Report  
For the Period Ended 30 June 2004



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) (Stock Code: 8095)

## INTERIM RESULTS REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2004

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# INTERIM RESULTS REPORT

## FOR THE SIX MONTHS ENDED 30 JUNE 2004

### HIGHLIGHTS

- **Turnover is approximately RMB48,476,000, a decrease of 45% as compared to the corresponding period last year.**
- **Profit attributable to shareholders is approximately RMB277,090,000, an increase of 773 times as compared to the corresponding period last year.**
- **Earnings per share is approximately RMB25 cents.**
- **Interest expense is approximately RMB5,111,000, a decrease of 24% as compared to the corresponding period last year.**

## FINANCIAL REVIEW

### Turnover

The unaudited consolidated turnover of the Group for the six months ended 30 June 2004 amounted to RMB48,476,000, representing a decrease of 45% as compared to the corresponding period last year.

The decrease in turnover was mainly due to the decrease in sales of computer products.

For the six months ended 30 June 2004, the turnover from the sales of embedded system products and related products, sales of computer products and provision of total solution services were approximately 80%, 18% and 2% respectively.

### Finance Cost

The unaudited interest expense of the Group for the six months ended 30 June 2004 was RMB5,111,000, representing a decrease of 24% as compared to the corresponding period last year.

The drop in the interest expenses was mainly resulted from the USD10 million (equivalent to approximately RMB83 million) partial repayment of the bank loans during the period, through using part of the placing proceeds of 140,000,000 new H shares of the Company at HK\$0.60 each issued in the last financial year.

### Profits Attributable to Shareholders

The unaudited profits attributable to shareholders and earnings per share of the Group for the six months ended 30 June 2004 were RMB277,090,000 and RMB25 cents respectively.

The significant increase in profits attributable to shareholders was due to the gain on disposal of part of the Group's shares investment in Semiconductor Manufacturing International Corporation ("SMIC") in March 2004 which was amounted to approximately RMB289,214,000.

## BUSINESS REVIEW

### Network Security Products

In the first half of the year, the Group has completed the research and development of gateway firewall product series in respect of the industrialisation of information system criterion evaluation tools and desktop small firewall technology. The Group has now proceeded to the research and development of simplified version of small firewall. The Group has produced seventy units of JB-FWI/100 and six units of JB-FWI/1000 firewall system. During the period, the following projects were completed: firewall projects of China Ministry of Water Resources, Hunan Provincial Electricity Company and its affiliated companies; electronic crime evidence verification projects of Ministry of Public Security. The Group will plan according to customers' needs to develop a variety of flexible small firewall system.

The Jade Bird gateway firewall product series had been successfully recognized by the State Ministry of Finance under their authorized investment bid category. It will help the system to attain the necessary requirements in bidding the state finance investment key user industry in respect of finance, public security, rail, petroleum and tax areas.

During the period Jade Bird Netsoft had completed the research and development of the network management system in respect of the multi-layer infrastructure, decentralized data collection, second layer discovery (in OSI seven-layer model), IP-MAC binding technology. It also finished the development of NetSureExpert 5.3 version. Jade Bird Netsoft is currently developing the desktop management function module technology (WMI) and the ancillary products of NetSureExpert 5.3 version to support the multi-stage system structure.

During the period Jade Bird Netsoft signed up the network management project of: Yicang Threegorges University with Wuhan Best Computer; and Zhejiang Yiwu Finance Bureau with Shanghai Beida Jade Bird Business Information System Company. On the other hand, it also signed up service agreements with the following: Beijing News Press Bureau Information Centre, Shanghai Wanshen Information Industry Co., Ltd., Guangdong Provincial Economic and Trade Commission, Guangzhou Labor Insurance Centre, Department of Civil Affairs of Hubei, Shenzhen Pinán Securities, Liuzhou Cigarette Factory of Guangxi, China Marine Bunker Co., Ltd., Shanghai Linktone Consultation Co., Ltd., Shenzhen Municipal Government, Wuhan Pheonix Network Data Technology Co., Ltd. and Hunan Lanwei Computer Co., Ltd.

### Wireless Fire Alarm System

The Group had completed the research and development of IIC multi-data communication technology and IIC communication loop card. The Group is currently developing the technology that has the locally linked network function of informing and displaying fire alarms and faults in a distant place through long distance communication. The Group also plan to research and develop internet connection controller.

The Group has finished the projects of "Air Force Blue Sky District" (空軍藍天小區) and "Jinxiuhuatian" (錦秀華天) of Chongqing Jade Bird Electronics Technology Co., Ltd.

The Group signed up the following projects: Beijing Pearl River Dijing residential area with Guangdong Hanjian Engineering Co., Ltd. and Changchun First Automobile office with Changchun Shidao Co., Ltd.

## Security ICs

The Group has completed the GBI sales agreements with Xiamen Hengsin Wangyuan Telecommunication Technology Co., Ltd. On the other hand, regarding the sales of FLASH, the Group has completed the contract with Zhuhai Nintaus Electronics Industrial Co., Ltd., but the contract with Shenzhen Yongsheng Telecommunication Co., Ltd. is still in progress.

## Semiconductor Manufacturing International Corporation (“SMIC”)

Dealing of the Semiconductor Manufacturing International Corporation (“SMIC”) in the American Depositary Shares (“ADSs”) on the New York Stock Exchange (“NYSE”) and dealing in the ordinary shares on The Stock Exchange of Hong Kong (“SEHK”) was commenced on March, 2004.

Semiconductor Manufacturing International Corporation announced the successful development and immediate availability of 0.35um EEPROM-based Contactless Smart Card technology on 8 June, 2004. The uniqueness of the technology is that it offers up to 50% die size shrinkage for contactless smart cards. Core to this new contactless process technology is the recently developed high voltage P-channel transistors and Metal-Insulator-Metal (MIM) capacitors resulting in die shrinkage and improved performance. The applications of the contact and contactless smart card technology include transportation cards, identification cards and bankcards.

On 8 June, 2004, Toppan Printing Co., Ltd. (Toppan Printing; TSE: 7911) and Semiconductor Manufacturing International Corporation have agreed to form a joint venture company in China to manufacture and sell On Chip Color Filter and Microlens for Image Sensor. This will be the first company in China to develop and provide manufacturing services of such technology. The parties will formalize the details of the joint venture agreements in the near future.

Toppan Printing, one of the worldwide technology leaders of on-chip color filters, has been exploring the opportunity to enter the Chinese market to further its business expansion. SMIC, the largest silicon chip foundry in China, has been developing front-end process technology and planning to enter into the image sensor market through the utilization of its past experiences and technologies. Both companies share the view of improving their respective competitive strength through the business and technology alliance. The new company will manufacture and process the on-chip color filter for customers in China and around the world, including the IDMs and the fabless companies. These products will be applied on phototaking mobile phone, digital camera and automobile visual ancillary etc.

## GOVERNMENT APPROVALS AND AWARDS

The Group's JTW-GD-LN2100 photoelectric smoke detector; JTW-ZD-LN2110 fixed temperature smoke detector; JBF-191F/D fire detector; J-SAP-M-JBF-101F manual fire alarm button; JB-QB-JBF-11S/CE2 gas extinguisher controller; JB-QB/LN1010 regional fire alarm controller were all awarded the Advanced Technology Certificates from Hebei Provincial Technology Department.

## STAFF

At present, the Group employs approximately 256 employees. Among the employees, 5 of them possess the doctorate degree, 28 of them possess the master degree and 109 of them possess the bachelor degree. In addition, the research and development and technical support team of the Group has 71 members; while sales team has 43 members.

## PLACING OF 80,800,000 NEW H SHARE

On 7 June 2004, the Company entered into a placing agreement with a placing agent for the placing, on a fully underwritten basis, of an aggregate of 80,800,000 new H Shares at a price of HK\$0.75 per H share ("the Placing"). On 18 June 2004, the Company completed the Placing and obtained the approval from GEM Listing Committee for the listing of and permission to deal in the 80,800,000 new H Shares. Such new H Shares were listed and dealt on 21 June 2004. The proceeds from the Placing were credited to the books of the Company for the period for general working capital purpose.

## OUTLOOK

Our board of directors believes that China's information technology ("IT") market is becoming more and more competitive than ever. While the Group strives to enhance our product quality through continuing of our research and development efforts, expanding our sales networks through strengthening our sales teams, the Group also has been making endeavor to curtail our running cost by trimming down unnecessary manpower. One of the typical examples found in the period was the reduction of the number of research and development people in Jade Bird Netsoft in order to focus the management's attention on our key projects in the pipeline and eliminate excessive spending on immature projects.

With rapid development of China's IT market and ever-shifting preference from the consumers on a variety of product choices, the Group has been reviewing its sales strategy and product focus. We anticipate through reorganizing the corporate resources the Group is able to maximize its operating efficiency; and also leveraging the management's professional experience and market reputation, the Group is capable to capitalise effectively on the opportunities arising from the surging demand for the IT services in the Mainland China.

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	1/4/2004 to 30/6/2004 RMB'000	1/4/2003 to 30/6/2003 RMB'000	1/1/2004 to 30/6/2004 RMB'000	1/1/2003 to 30/6/2003 RMB'000
Turnover	2	26,264	41,855	48,476	87,401
Other revenue and gains	3	–	1,655	289,223	1,970
Operating expenses:					
Materials and equipment		(19,664)	(26,802)	(37,222)	(66,737)
Employee costs		(3,954)	(3,876)	(9,285)	(8,479)
Depreciation of fixed assets		(492)	(849)	(959)	(1,796)
Amortisation of goodwill and intangible assets		(1,471)	(1,600)	(2,943)	(3,200)
Other operating expenses		(4,015)	(3,164)	(6,781)	(5,012)
Total operating expenses		(29,596)	(36,291)	(57,190)	(85,224)
Profit/(Loss) from operations		(3,332)	7,219	280,509	4,147
Finance income/(cost)					
Interest income		797	320	1,305	1,042
Interest expense		(2,236)	(2,816)	(5,111)	(6,719)
Exchange gains/(losses)		382	51	(908)	576
Profit/(Loss) before taxation and minority interests		(4,389)	4,774	275,795	(954)
Taxation	4	(112)	–	(112)	–
Profit/(Loss) before minority interests		(4,501)	4,774	275,683	(954)
Minority interests		171	410	1,407	1,312
Profit/(Loss) attributable to shareholders		(4,330)	5,184	277,090	358
Retained earnings, beginning of period		364,841	72,677	83,421	77,503
Retained earnings, end of period		360,511	77,861	360,511	77,861
Interim dividends declared	5	11,848	–	11,848	–
Earnings/(Loss) per share-basic (RMB cents)	6	(0.39)	0.54	25.00	0.04



## CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2004 RMB'000	Audited 31 December 2003 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	7	7,921	6,319
Intangible assets		400	520
Goodwill		13,712	16,535
Long term investments	8	362,888	510,998
		<u>384,921</u>	<u>534,372</u>
<b>Current assets</b>			
Inventories	9	20,276	19,538
Trade receivables	10	57,102	71,915
Due from shareholders		3,328	31,328
Due from related parties		13,899	25,374
Prepayments, deposits and other receivables		52,678	25,793
Bills receivable		2,569	8,726
Cash and bank balances		710,579	278,009
		<u>860,431</u>	<u>460,683</u>
<b>Current liabilities</b>			
Short term bank loans	11	313,081	396,203
Trade payables	12	13,032	16,904
Advance from customers		10,708	11,783
Accrued liabilities and other payables		23,612	23,794
Due to shareholders		1,202	1,692
Due to related parties		1,898	742
Taxes payable		3,144	3,639
		<u>366,677</u>	<u>454,757</u>
<b>Net current assets</b>		<u>493,754</u>	<u>5,926</u>
Total assets less current liabilities		878,675	540,298
Minority interests		5,524	6,131
Net assets		<u>873,151</u>	<u>534,167</u>
<b>Represented by:</b>			
Share capital		118,480	110,400
Reserves		394,160	340,346
Retained profits		360,511	83,421
Shareholders' equity		<u>873,151</u>	<u>534,167</u>

## CONDENSED UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	1/1/2004 to 30/6/2004 RMB'000	1/1/2003 to 30/6/2003 RMB'000
Net cash inflow/(outflow) from operating activities	21,268	(35,506)
Net cash inflow from investing activities	463,673	4,366
Net cash inflow/(outflow) from financing activities	(26,465)	24,322
Increase/(decrease) in cash and cash equivalents	458,476	(6,818)
Cash and cash equivalents, beginning of period	88,322	109,955
Cash and cash equivalents, end of period	546,798	103,137
<b>Analysis of Balances of Cash and Cash Equivalents</b>		
Cash and bank balances	710,579	196,587
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(163,781)	(93,450)
<b>Cash and cash equivalents for the purpose of the cash flow statement</b>	546,798	103,137

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained Profits RMB'000	Total RMB'000
I January 2003 and 30 June 2003	96,400	251,271	16,649	77,861	442,181
I January 2004:	110,400	322,479	17,867	83,421	534,167
Issue of H shares	8,080	56,210	—	—	64,290
Share issue expenses	—	(2,396)	—	—	(2,396)
Net profit for the period	—	—	—	277,090	277,090
30 June 2004	118,480	376,293	17,867	360,511	873,151

Notes:

### I. Principal activities and basis of presentation

The Group is principally engaged in the research, development, production, marketing and sales of embedded systems, including network security products ("NET"), wireless fire alarm systems ("WFAS"), application specific integrated circuits ("ASIC"), global positioning system application systems ("GPS"), smart card application systems ("IC"), remote automatic meter-reading systems ("RMR") and related products. The Group is also engaged in the sales of computer products ("Computer") and 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

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered, net of sales surtaxes. All significant intra-group transactions have been eliminated on consolidation.

	1/4/2004 to 30/6/2004 RMB'000	1/4/2003 to 30/6/2003 RMB'000	1/1/2004 to 30/6/2004 RMB'000	1/1/2003 to 30/6/2003 RMB'000
Sales of embedded systems and related products	18,224	27,861	38,945	42,074
Sales of computer products	8,027	12,575	8,920	43,908
Provision of total solution services	13	1,419	611	1,419
Total turnover	26,264	41,855	48,476	87,401

## 3. Other revenue and gains

Other revenue and gains during the six months ended 30 June 2004, represents principally the gain of approximately RMB289,214,000 on disposal of 156,842,000 ordinary shares in SMIC in March 2004.

## 4. Taxation

Hong Kong profits tax is charged at the rate of 16% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof. No profits tax or income tax has been provided for the six months ended 30 June 2004 (2003: Nil). The tax charge of RMB112,000 for the three months and six months ended 30 June 2004 is the underprovided corporate income tax in Mainland China for the last financial year.

There was no material unprovided deferred tax for the six months ended 30 June 2004 (2003: Nil).

## 5. Dividends

The Board has resolved to propose an interim dividend of RMB1 cent per share for the three months ended 31 March 2004 (2003: Nil). Such interim dividend proposal was duly passed by shareholders at a special general meeting held on 30 July 2004.

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2004.

## 6. Earnings/(Loss) per share

The calculation of loss/earnings per share for the three and six months ended 30 June 2004 were based on the loss/profit attributable to shareholders of approximately RMB4,330,000 and RMB277,090,000, respectively, (2003: profit attributable to shareholders of approximately RMB5,184,000 and RMB358,000) and on the weighted average number of 1,112,879,121 shares and 1,108,439,560 shares, in issue, respectively.

Diluted earnings per share amount for the three months and six months ended 30 June 2004 had not been presented as no diluting events existed at 30 June 2004.

## 7. Property, plant and equipment

	RMB'000
<b>Cost</b>	
Cost, as at 1 January 2004	30,306
Additions	2,561
	<hr/>
Cost, as at 30 June 2004	32,867
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<b>Accumulated Depreciation</b>	
Accumulated depreciation, as at 1 January 2004	23,987
Charge for the period	959
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Accumulated depreciation, as at 30 June 2004	24,946
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<b>Net Book Value</b>	
Net book value, as at 30 June 2004	7,921
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Net book value, as at 1 January 2004	6,319
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## 8. Long term investment

As at 30 June 2004, long term investment represents 383,163,400 ordinary shares in SMIC, being approximately 2.1% equity interest in SMIC. SMIC is a company incorporated in the Cayman Islands and principally engaged in holding an interest in Semiconductor Manufacturing International (Shanghai) Corporation, a wholly foreign-owned enterprise established in Mainland China engaging in the manufacturing and marketing of advanced-technology semiconductors in Mainland China. In March 2004, upon the global offering of SMIC ordinary shares, the Group disposed of 156,842,000 ordinary shares in SMIC out of its then holding of 540,005,400 ordinary shares in SMIC.

## 9 Inventories

	30/6/2004 RMB'000	31/12/2003 RMB'000
Raw materials	5,902	3,305
Work-in-progress	5,742	3,844
Finished goods	9,176	12,933
	<hr/>	<hr/>
	20,820	20,082
Less: Provision for obsolete and slow-moving inventories	(544)	(544)
	<hr/>	<hr/>
	20,276	19,538
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As at 30 June 2004, no inventories (2003: Nil) of the Group were stated at net realizable value.

## 10. Trade receivables

The Group normally grants to its customers credit periods ranging from six to twelve months, starting from the date on which the significant risks and rewards of ownership of products were transferred by the Group to customers or the date of completion of services provided or the payment due date as defined in the contracts, whichever is the later. Each customer has a maximum credit control limit to minimize credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables of the Group as at the balance sheet date, based on the date on which the significant risks and rewards of ownership of products were transferred by the Group to customers or the date of completion of services provided or the payment due date as defined in the contracts, whichever is the later, is as follows:

	30/6/2004 RMB'000	31/12/2003 RMB'000
0 to 3 months	18,547	33,275
3 to 6 months	4,874	15,223
6 to 12 months	13,986	17,851
Over 12 months	22,505	8,376
	<hr/>	<hr/>
	59,912	74,725
Less: Provision for doubtful accounts	(2,810)	(2,810)
	<hr/>	<hr/>
	57,102	71,915
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## 11. Short term bank loans

Short term bank loans bear interest at approximately 2.87% to 5.31% per annum at 30 June 2004 (2003: 2.98% to 5.31%).

Short term bank loans of the Group of RMB3,060,000 were secured by mortgages over certain of the Group's buildings, machinery and equipment with a net book value of approximately RMB1,010,000 as at 30 June 2004 (2003: RMB1,165,000).

A shareholder of the Company and a subsidiary of Peking University, the ultimate controlling shareholder of the Company, have jointly guaranteed certain of the Group and the Company's bank loans of USD37 million, equivalent to approximately RMB310 million (2003: RMB393 million) as at the balance sheet date.

## 12. Trade payables

Aging analysis of trade payables is as follows:

	30/6/2004 RMB'000	31/12/2003 RMB'000
0 to 3 months	2,335	9,917
3 to 6 months	3,193	184
6 to 12 months	954	2,841
Over 12 months	6,550	3,962
	<b>13,032</b>	<b>16,904</b>

### 13. Related party transactions

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

	Six months ended 30/6/2004 RMB'000	Six months ended 30/6/2003 RMB'000
Sales of embedded systems products and provision of total solution services to:		
Peking University	60	328
Beijing Tianqiao	246	448
Western Beida Jade Bird Investment Co., Ltd.	70	—
	<hr/>	<hr/>
	376	776
Rental expense of an office building charged by Beida Jade Bird	456	—
Interest income on an amount due from Beida On-line	235	—
Rental expense for equipment paid/payable to		
The Institute of Microelectronics	—	315
Rental income for equipment received/receivable from		
The Institute of Microelectronics	—	315
Write off a receivable from Beida Jade Bird		
Security System Company Limited	127	—
	<hr/>	<hr/>





**(b) Analysis by geographical location (consolidated) is as follows:**

	Six months ended 30/6/2004 RMB'000	Six months ended 30/6/2003 RMB'000
<b>Turnover*</b>		
Mainland China	41,537	64,179
Hong Kong	6,939	19,382
Others	—	3,840
	<hr/>	<hr/>
	48,476	87,401
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\* Turnover by geographical location is determined mainly on the basis of the destination of delivery of merchandise and rendering of services.

## DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, the interests and short positions of the directors and supervisors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules, were as follows:

### Long positions in ordinary shares of the Company:

			Number of shares held, capacity and nature of interest beneficiary of a trust	Approximate percentage of the Company's total issued domestic share capital	Approximate percentage of the Company's total issued share capital
Name of director					
1.	Mr. Xu Zhen Dong	(a)	220,000,000	31.43	18.57
2.	Mr. Xu Zhi Xiang	(a)	220,000,000	31.43	18.57
3.	Mr. Zhang Wan Zhong	(a)	220,000,000	31.43	18.57
4.	Mr. Liu Yong Jin	(a)	220,000,000	31.43	18.57
5.	Mr. Wu Min Sheng	(a)	220,000,000	31.43	18.57
Name of supervisor					
1.	Mr. Zhang Yong Li	(a)	220,000,000	31.43	18.57
2.	Mr. Dong Xiao Qing	(a)	220,000,000	31.43	18.57

Note:

- (a) The above directors and supervisors of the Company are taken to be interested in the issued share capital of the Company through their respective interests as beneficiaries, among other beneficiaries, of Heng Huat Trust. By a declaration of trust ("Heng Huat Trust") made as a deed on 19 July 2000, Mr. Xu Zhen Dong, Mr. Zhang Wan Zhong and Ms. Liu Yue (who has been replaced by Mr. Xu Zhi Xiang since 9 May 2003 as a trustee) declared that they held the shares of Heng Huat Investments Limited ("Heng Huat") as trustees for the benefits of 477 employees of Beijing Beida Jade Bird Software System Company, Beijing Beida Jade Bird Limited, Beijing Beida Yu Huan Microelectronics System Engineering Company and Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited and their respective subsidiaries and associated companies and the Company. Heng Huat is beneficially interested in approximately 93.37% in the issued share capital of Dynamic Win Assets Limited ("Dynamic Win"), and is taken to be interested in 220,000,000 shares of the Company which Dynamic Win is interested. Mr. Xu Zhen Dong, Mr. Zhang Wan Zhong and Mr. Xu Zhi Xiang (who replaced Ms. Liu Yue as a trustee on 9 May 2003 upon Ms. Liu's resignation as a trustee on the same date) are trustees holding 60, 20 and 20 shares out of 100 shares in the issued share capital of Heng Huat.

Save as disclosed above, none of the directors and supervisors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the period ended 30 June 2004, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30 June 2004, none of the directors or the supervisors had any rights to acquire H shares in the Company.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, the following interests of 5% or more of the issued share capital of the Company (except for Beijing Beida Jade Bird Limited which has only 3.38% of issued share capital of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

	Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's domestic issued share capital	Approximate percentage of the Company's issued share capital	Number of share options held
1	Peking University	(a)	Through controlled corporations	310,000,000	44.28	26.16	–
2	Beijing Beida Yu Huan Microelectronics System Engineering Company	(a)	Directly beneficially owned	85,000,000	12.14	7.17	–
3	Beijing Beida Jade Bird Software System Company	(a)	Directly beneficially owned	110,000,000	15.71	9.28	–
4	Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	40,000,000	5.71	3.38	–
5	BeijingTianqiao Beida Jade Bird Sci-Tech Company Limited	(a)	Directly beneficially owned	75,000,000	10.71	6.33	–

	Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's domestic issued share capital	Approximate percentage of the Company's issued share capital	Number of share options held
6	Heng Huat Investments Limited	(b)	Through a controlled corporation	220,000,000	31.43	18.57	–
7	Dynamic Win Assets Limited	(b)	Directly beneficially owned	220,000,000	31.43	18.57	–
8	New World Cyberbase Limited	(c)	Through a controlled corporation	70,000,000	10.00	5.91	–
9	New View Venture Limited	(c)	Directly beneficially owned	70,000,000	10.00	5.91	–
10	Asian Technology Investment Company Limited		Directly beneficially owned	50,000,000	7.14	4.22	–

## Notes:

- (a) Peking University is taken to be interested in 26.16% of the total issued share capital of the Company through the following companies:
- (i) 85,000,000 shares (representing approximately 7.17% of the Company's total share capital) held by Beijing Beida Yu Huan Microelectronics System Engineering Company, which is beneficially wholly-owned by Peking University;
  - (ii) 110,000,000 shares (representing approximately 9.28% of the Company's total share capital) held by Beijing Beida Jade Bird Software System Company, which is beneficially wholly-owned by Peking University;
  - (iii) 40,000,000 shares (representing approximately 3.38% of the Company's total share capital) held by Beijing Beida Jade Bird Limited, which is approximately 46% owned by Peking University; and
  - (iv) 75,000,000 shares (representing approximately 6.33% of the Company's total share capital) held by Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited, the board of which is controlled by Beijing Beida Jade Bird Limited.
- (b) The shares of the Company are held by Dynamic Win Assets Limited, which is 93.37% owned by Heng Huat Investments Limited
- (c) The shares of the Company are held by New View Venture Limited, which is wholly-owned by New World Cyberbase Limited.

Save as disclosed above, no person, other than the directors and supervisors of the Company, whose interests are set out in the section ‘Directors’ and supervisors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## 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 2004, the Audit Committee has two members namely, the two independent non-executive directors, Prof. Nan Xiang Hao and Mr. Ambrose Chin Man Chung. The Group’s unaudited consolidated results for the six months and three months ended 30 June 2004 have been reviewed by the audit committee.

## BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S H SHARES

For the six months ended 30 June 2004, 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, 11 August 2004

*As at the date of this report, Mr. Xu Zhen Dong, Mr. Xu Zhi Xiang and Professor Zhang Wan Zhong are executive directors, Mr. Lo Lin Shing, Simon, Mr. Liu Yong Jin, Mr. Hao Yi Long, Mr. Wu Min Sheng and Mr. Li Li Xin are non-executive directors and Professor Nan Xiang Hao and Professor Chin Man Chung, Ambrose are independent non-executive directors.*