



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

INTERIM REPORT

Beijing Beida Jade Bird Universal Sci-Tech Company Limited

Beijing Beida Jade Bird Universal Sci-Tech Company Limited

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2005



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)
(Stock Code: 8095)

**INTERIM RESULTS REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2005**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

The board of directors (the “Board”) of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “Company”) and its subsidiaries (collectively as the “Group”) is pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 June 2005 together with the unaudited comparative figures for the corresponding period in 2004 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2005	2004	2005	2004
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	32,171	26,264	48,261	48,476
Investment income, other revenue and gains	3	239	–	339	289,223
Operating expenses:					
Materials and equipment		(26,232)	(19,664)	(38,700)	(37,222)
Employee costs		(3,767)	(3,954)	(8,589)	(9,285)
Depreciation of property, plant and equipment		(443)	(492)	(914)	(959)
Amortisation of goodwill and intangible assets		(60)	(1,471)	(120)	(2,943)
Other operating expenses		(3,754)	(4,015)	(5,416)	(6,781)
Total operating expenses		(34,256)	(29,596)	(53,739)	(57,190)
Profit/(Loss) from operating activities		(1,846)	(3,332)	(5,139)	280,509
Finance income/(costs)					
Interest income		1,741	797	2,554	1,305
Interest expense		(4,866)	(2,236)	(8,490)	(5,111)
Exchange gains/(losses)		372	382	(113)	(908)
Profit/(Loss) before tax		(4,599)	(4,389)	(11,188)	275,795
Tax	4	–	(112)	–	(112)
Profit/(Loss) before minority interests		(4,599)	(4,501)	(11,188)	275,683
Minority interests		343	171	1,325	1,407
Net profit/(loss) from ordinary activities attributable to shareholders		(4,256)	(4,330)	(9,863)	277,090
Interim dividends declared	5	–	11,848	–	11,848
Earnings/(Loss) per share-basic (RMB cents)	6	(0.36)	(0.39)	(0.83)	25.00

CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2005	Audited 31 December 2004
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	7	16,188	9,656
Intangible assets		160	280
Goodwill		7,333	7,333
Long term investments	8	653,907	362,581
		<u>677,588</u>	<u>379,850</u>
Current assets			
Inventories	9	20,880	22,813
Trade receivables	10	37,075	27,578
Due from shareholders		23	43,781
Due from related parties	11	321,034	381,753
Prepayments, deposits and other receivables		114,500	8,641
Short term investments		–	2,000
Cash and bank balances		272,146	322,066
		<u>765,658</u>	<u>808,632</u>
Current liabilities			
Short term bank loans	12	268,635	310,017
Trade payables	13	14,805	14,991
Advance from customers		7,710	9,827
Accrued liabilities and other payables		10,893	22,212
Due to shareholders		11,377	1,261
Due to related parties		260	1,993
Taxes payable		6,658	6,313
		<u>320,338</u>	<u>366,614</u>
Net current assets		<u>445,320</u>	<u>442,018</u>
Total assets less current liabilities		1,122,908	821,868
Long term bank loans	14	21,310	–
Minority interests		1,737	3,470
		<u>1,099,861</u>	<u>818,398</u>
Net assets		<u>1,099,861</u>	<u>818,398</u>
Represented by:			
Share capital		118,480	118,480
Reserves		721,997	430,671
Retained profits		259,384	269,247
		<u>1,099,861</u>	<u>818,398</u>
Shareholders' equity		<u>1,099,861</u>	<u>818,398</u>

CONDENSED UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow/(outflow) from operating activities	(16,058)	21,268
Net cash inflow from investing activities	49,708	463,673
Net cash inflow/(outflow) from financing activities	(28,562)	(26,465)
Increase in cash and cash equivalents	5,088	458,476
Cash and cash equivalents, beginning of period	164,542	88,322
Cash and cash equivalents, end of period	169,630	546,798
Analysis of Balances of Cash and Cash Equivalents		
Cash and bank balances	272,146	710,579
Less: Non-pledged bank time deposits with original maturity of more than three months when acquired	(102,516)	(163,781)
Cash and cash equivalents for the purpose of the cash flow statement	169,630	546,798

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Capital reserve	Statutory reserve funds	Investment revaluation reserve	Retained Profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 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	<u>118,480</u>	<u>376,293</u>	<u>17,867</u>	<u>–</u>	<u>360,511</u>	<u>873,151</u>
As at 1 January 2005:						
As previously reported	118,480	377,720	52,951	–	269,247	818,398
First adoption of HKAS39	–	–	–	–	285,927	285,927
	<u>118,480</u>	<u>377,720</u>	<u>52,951</u>	<u>–</u>	<u>555,174</u>	<u>1,104,325</u>
Net loss for the period	–	–	–	–	(9,863)	(9,863)
Increase in fair value of long term investment for the period	–	–	–	5,399	–	5,399
As at 30 June 2005	<u>118,480</u>	<u>377,720</u>	<u>52,951</u>	<u>5,399</u>	<u>545,311</u>	<u>1,099,861</u>

Notes:

1. 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"), 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 Unaudited Interim Results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. They have been prepared under historical cost convention, except for available-for-sale financial assets that have been measured at fair value. The principal accounting policies used in the preparation of the Unaudited Interim Results are consistent with those adopted in the preparation of the consolidated annual financial statements of the Group for the year ended 31 December 2004, except for those mentioned below.

During the period beginning on 1 January 2005, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for the accounting periods beginning on or after 1 January 2005.

The major effects of the new HKFRSs, which have had a material impact on the Unaudited Interim Results, are set out below:

The adoption of HKAS 39 “Financial Instruments: Recognition and Measurement” requires the Group’s long term investment be classified as available-for-sale financial asset which is measured at fair value instead of measuring at historical cost according to the Group’s accounting policy adopted before. The fair value amount is estimated using the market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair value amount. Accordingly, the estimates made by the Group are not necessarily indicative of the amounts the Group could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amount. The effect of adopting HKAS 39 was to increase the consolidated retained profits as at 1 January 2005 by approximately RMB286 million. As at 30 June 2005, the fair value of the long term investment increased by approximately RMB5 million as compared to that on 1 January 2005.

The adoptions of HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets” have resulted in ceasing goodwill amortisation and to test for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005. The transitional provisions of HKFRS 3 have required the Group to eliminate the carrying amount of accumulated amortisation of RMB17,342,000 with a corresponding decrease in goodwill.

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.

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of embedded systems and related products	11,535	18,224	18,468	38,945
Sales of computer products	20,612	8,027	29,748	8,920
Provision of total solution services	24	13	45	611
Total turnover	32,171	26,264	48,261	48,476

3. Investment income, other revenue and gains

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Gain on disposal of long term investment (Note a)	–	–	–	289,214
Others	239	–	339	9
	239	–	339	289,223

Note (a) Gain on disposal of long term investment for the six months ended 30 June 2004 represents the gain of approximately RMB289,214,000 on disposal of 156,842,000 ordinary shares in Semiconductor Manufacturing International Corporation (“SMIC”) in March 2004.

4. Taxation

Hong Kong profits tax has not been provided as the Group has no assessable profits arising in Hong Kong during the period (2004: Nil). 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 2005 (2004: Nil).

There was no material unprovided deferred tax for the six months ended 30 June 2005 (2004: Nil).

5. Dividends

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

Interim dividend declared for the period ended 30 June 2004 in last financial year represented an interim dividend of RMB1 cent per share for the three months ended 31 March 2004.

6. Earnings/(Loss) per share

The calculation of loss per share for the three and six months ended 30 June 2005 were based on the loss attributable to shareholders of approximately RMB4,256,000 and RMB9,863,000, respectively, (2004: profit attributable to shareholders of approximately RMB4,330,000 and RMB277,090,000) and on the weighted average number of 1,184,800,000 shares (2004: 1,112,879,121 shares) and 1,184,800,000 shares (2004: 1,108,439,560 shares), in issue, respectively.

Diluted earnings/(loss) per share amount for the three and six months ended 30 June 2005 had not been presented as no diluting events existed at 30 June 2005.

7. Property, plant and equipment

	<i>RMB'000</i>
Cost	
Cost, as at 1 January 2005	34,893
Additions	7,446
	<hr/>
Cost, as at 30 June 2005	42,339
	<hr/>
Accumulated Depreciation	
Accumulated depreciation, as at 1 January 2005	25,237
Charge for the period	914
	<hr/>
Accumulated depreciation, as at 30 June 2005	26,151
	<hr/>
Net Book Value	
Net book value, as at 30 June 2005	16,188
	<hr/>
Net book value, as at 1 January 2005	9,656
	<hr/>

8. Long term investment

	30 June 2005	31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity investment, at cost	362,581	362,581
Adjustment on fair value upon first adoption of HKAS 39	285,927	–
Increase in fair value for the period	5,399	–
	<hr/>	<hr/>
Listed equity investment, at fair value/cost	653,907	362,581
	<hr/>	<hr/>

As at 30 June 2005, long term investment represents 383,163,400 ordinary shares in SMIC which is listed on the Hong Kong Stock Exchange, being approximately 2.1% equity interest in SMIC. SMIC is a company incorporated in the Cayman Islands and principally engaged 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 June 2005	31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	8,985	5,406
Work-in-progress	2,693	1,560
Finished goods	10,150	16,729
	<u>21,828</u>	<u>23,695</u>
Less: Provision for obsolete and slow-moving inventories	(948)	(882)
	<u>20,880</u>	<u>22,813</u>

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 June 2005	31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 3 months	17,960	13,195
3 to 6 months	1,787	11,260
6 to 12 months	7,657	4,328
Over 12 months	44,315	36,139
	<u>71,719</u>	<u>64,922</u>
Less: Provision for doubtful accounts	(34,644)	(37,344)
	<u>37,075</u>	<u>27,578</u>

11. Amount due from related parties

The balance as at 30 June 2005 included an amount of RMB287,321,000 due from Hong Kong Jade Bird Sci-Tech Development Limited and an amount of RMB32,860,000 due from Wisdom New Group Limited in respect of the earnest money paid to Beida Jade Bird Limited for the proposed acquisition of 44% equity interest in Chengjian Donghua Real Estate Company Limited. If the proposed acquisition does not take place, the earnest money in aggregate of RMB320,181,000 shall be fully refunded to the Company without interest. For details, please refer to the Company's circular to shareholders dated 30 June 2005.

12. Short term bank loans

Short term bank loans bear interest at approximately 4.96% to 5.42% per annum at 30 June 2005 (2004: 2.87% to 5.31%).

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 USD32.5 million, equivalent to approximately RMB269 million (2004: RMB310 million) as at the balance sheet date.

13. Trade payables

Aging analysis of trade payables is as follows:

	30 June 2005	31 December 2004
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 3 months	2,504	5,353
3 to 6 months	4,989	1,210
6 to 12 months	942	18
Over 12 months	6,370	8,410
	14,805	14,991

14. Long term bank loans

Long term bank loans bear interest at approximately 7.49% per annum at 30 June 2005 (2004: Nil). As at 30 June 2005, the long term bank loans were secured by charges over certain of the Group's machinery and equipment with a net book value of approximately RMB2,608,000 as at 30 June 2005 (2004: Nil) and a land use rights in the PRC owned by a related party.

15. Related party transactions

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

	Six months ended 30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of embedded systems products and provision of total solution services to:		
Peking University	–	60
Beijing Tianqiao	303	246
Western Beida Jade Bird Investment Co., Ltd.	–	70
	303	376
Rental expense of an office building charged by Beida Jade Bird	332	456
Interest income on an amount due from Beida On-line	–	235
Write off a receivable from Beida Jade Bird		
Security System Company Limited	–	127

SEGMENT INFORMATION

(a) Analysis by business segment (consolidated) is as follows:

Six months ended 30 June 2005	NET	WFAS	ASIC (note)	GPS (note)	IC (note)	DVR (note)	RMR	Computer	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE									
Sales to external customers	3,316	14,858	-	-	-	-	339	29,748	48,261
RESULTS									
Segment results	(2,925)	(27)	-	-	-	-	(27)	2,813	(166)
Interest income									2,554
Interests expense									(8,490)
Exchange loss									(113)
Unallocated corporate expenses									(4,973)
Loss before tax									(11,188)
Tax									-
Loss before minority interests									(11,188)
Minority interests									1,325
Net loss from ordinary activities attributable to shareholders									(9,863)

**Six months ended
30 June 2004**

	NET	WFAS	ASIC <i>(note)</i>	GPS <i>(note)</i>	IC <i>(note)</i>	DVR <i>(note)</i>	RMR	Computer	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

REVENUE

Sales to external customers	3,575	14,860	20,856	–	123	–	142	8,920	48,476
-----------------------------	-------	--------	--------	---	-----	---	-----	-------	--------

RESULTS

Segment results	(2,902)	818	(354)	–	18	–	(306)	(6)	(2,732)
Gain on disposal of shares investment									289,214
Interest income									1,305
Interests expense									(5,111)
Exchange loss									(908)
Unallocated corporate expenses									(5,973)
Profit before tax									275,795
Tax									(112)
Profit before minority interests									275,683
Minority interests									1,407
Net profit from ordinary activities attributable to shareholders									277,090

Note: These are other principal activities formerly engaged by the Group, namely, application specific integrated circuits ("ASIC"), global positioning system application systems ("GPS"), smart card application system ("IC") and digital video recorder systems ("DVR").

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

	Six months ended 30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover*		
Mainland China	36,778	41,537
Hong Kong	11,483	6,939
	48,261	48,476

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

FINANCIAL REVIEW

Turnover

The unaudited consolidated turnover of the Group for the six months ended 30 June 2005 amounted to RMB48,261,000, representing nearly the same as compared to the corresponding period last year.

Although the turnover amounts for both period are similar, the composition of turnover by product has changed significantly with a significant increase in sales of computer products by 233% whereas a sharp drop in sales of embedded systems and related products by 53%.

For the six months ended 30 June 2005, the turnover from the sales of embedded system products and related products and sales of computer products were approximately 38% and 62% respectively.

Finance Cost

The unaudited interest expense of the Group for the six months ended 30 June 2005 was RMB8,490,000, representing an increase of 66% as compared to the corresponding period last year.

The increase in the interest expenses was mainly resulted from the rise in the market interest rate in the PRC.

Net Loss from Ordinary Activities Attributable to Shareholders

The unaudited net loss from ordinary activities attributable to shareholders and loss per share of the Group for the six months ended 30 June 2005 were RMB9,863,000 and RMB0.83 cents respectively.

The down turn from net profit attributable to shareholders in the corresponding period last year to net loss attributable to shareholders for the period was due to the absence of 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.

Liquidity and Financial Resources

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

As at 30 June 2005, the Group had cash on hand of RMB272 million and USD short term bank loans totaling RMB269 million (USD32.5 million) borrowed for financing the investment in SMIC and long term bank loans of RMB21 million for construction of plant. The aforesaid USD short term bank loans were guaranteed by a shareholder of the Company and a subsidiary of Peking University whereas the long term bank loans were secured by charge over certain of the Group's machinery and equipment with a net book value of approximately RMB2,608,000 as at 30 June 2005 and land use rights in the PRC owned by a related party.

Other Financial Measures

As at 30 June 2005, the Group had a gearing ratio (the ratio of total bank borrowings to total equity) and the ratio of current liabilities to total assets of 26% and 22%, respectively.

As at 30 June 2005, the Group had no capital commitments and contingent liabilities.

As at 30 June 2005, the Group did not have any buildings, machinery and equipment pledged as collateral for the Group's banking facilities.

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 hot backup technology. The Group has now proceeded to the research and development of embedded firewall technology. The Group has produced fifty-seven units of JB-FW1/100 and six units of JB-FW1/1000 firewall system. During the period, the following projects were completed: Hunan Postal Service project, the Inner Mongolia People's Bank of China project, Guangzhou Railway Bureau project, Ministry of Communications special case, Fujian Construction Bank project.

During the period Jade Bird Netsoft had completed the research and development of the network management system in respect of the flow analysis and IP address management technology. It also finished the development of NetSureXpert 5.3.0.1 version. Jade Bird Netsoft is currently developing the VPN management technology and the ancillary products of NetSureXpert 5.3.1 version to support the multi-stage system structure.

During the period Jade Bird Netsoft signed up the network management project of: China Unicom, the Henan China Netcom, Hubei Huangshi Xisai Mountain Power Plant, Tianjin Dagang Oil Field, Xu Chang Tobacco Factory, Dongfeng Honda Automobile, Guangzhou Labour and Social Security Bureau, the Chinese Ministry of Public Security Information Center (Golden Shield First Level Networks Operation Maintenance Platform) and the Liuzhou Municipal Party Committee Confidential Bureau.

On the other hand, it also signed up service agreements with the following: Wuhan Tongchuang Science and Technology Limited, Zhongke Software Group Ltd, Jiangxi Pioneer Network Information System Integration Limited, Beijing Zhongkechuang Xinyuan High-tech Limited, Shanghai Wanshen Science and Technology Limited, Beijing Meichuang Tiancheng Software Technology Limited, Legend Network (Shenzhen) Limited, Hunan Lanxing Computer Limited, China Diseases Prophylaxis Control Center.

Wireless Fire Alarm System

The Group had completed the research and development of infra-red light beam linear survey technology and liquid crystal floor monitor, non-address feeling smoke detector research and development... The Group is currently developing general line alarm short-circuits isolation technology and embedded system in fire prevention domain application technology. The Group also plan to research and develop the RTOS immediate operation system and the low pressure carbon dioxide controller technology as well as the infra-red smoke detector.

The Group has finished the projects of Guangzhou Toyota Necessary Life Garden, Dongguan Galaxy Fable Residential District Project.

The Group signed up the following projects: General Time International Community, Pearl River Peak Scenery, Central Fine Arts Institute Teaching Building & Dormitory Building Alarm System, Pearl River Emperor Scenery and Roman Garden

In June 2005, the Group celebrated the grand opening of a new factory together with the fourth anniversary of the wireless fire alarm system segment.

Semiconductor Manufacturing International Corporation (“SMIC”)

SMIC reported an increase in capacity to 139,025 8-inch equivalent wafers per month and utilization rate of 87% in the second quarter of 2005.

In June 2005, SMIC had secured a syndicated bank loan of USD600 million for financing the expansion of the capacity of SMIC's three 300mm fabs located in Beijing.

On the technology front, SMIC's first customer products at 90nm are currently under qualification and remain on-schedule. Further along its technology roadmap, SMIC is now developing its 65nm technology process flow in the 300mm fabs.

GOVERNMENT APPROVALS AND AWARDS

The Group's JTG-ZW-JBF-113F ultra-violet fire detector was accredited with an inspection certificate from Shenyang Fire Research Institute.

STAFF

At present, the Group employs approximately 176 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 35 members.

MARKETING ACTIVITIES

During the period, Wuhan Netsoft has held various exhibitions relating to network management software in Beijing, Shanghai, Changsha, Shenzhen and Guangzhou.

OUTLOOK

Network Security Products

The Group will pursue developing the government industry, exploring product sale channel in the energy and transportation industries. At the same time, the Group will continue to accelerate the manufacturing of and promoting the sales of: the new product - Security Assessment Tool 2.0 version which is jointly developed by the Ministry of Public Security and the Group, as well as the firewall JB-FW100MII model.

In view of the increasing demand for the network management platform software in the PRC at an annual rate of over 30%, the market prospect of Jade Bird Netsoft's NetSureXpert is tremendous. The next step for Jade Bird Netsoft is to strengthen the penetration of its product in the finance, military, telecom industries etc. so as to take a breakthrough in the industrial profile. At the same time, Jade Bird Netsoft is going to establish its nine distribution regions in the PRC. Through such development of sales channel by agency, Jade Bird Netsoft can perfect its distribution system and expand the percentage of market share of its product.

Wireless Fire Alarm System

The Group will pursue the technological upgrading of its product and further lowering its cost. At the same time, the Group will start researching and developing a new generation of wireless fire alarm system products so as to strengthen the Group's branding and expansion from the household fire protection business to the industrial fire protection business.

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

At 30 June 2005, the interests and short positions of the directors, supervisors and chief executive 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")), which will be required to be notified to the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) which will be required pursuant to section 352 of the SFO to be entered in the register referred to in that section; or (c) will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

			Number of shares held, capacity and nature of beneficiary interest of a trust	Approximate percentage of the Company's total issued domestic share capital	Approximate percentage of the Company's total issued share capital
Note					
Name of director					
1.	Mr. Xu Zhen Dong	(a)	205,414,000	29.34%	17.34%
2.	Mr. Xu Zhi Xiang	(a)	205,414,000	29.34%	17.34%
3.	Mr. Zhang Wan Zhong	(a)	205,414,000	29.34%	17.34%
4.	Mr. Liu Yong Jin	(a)	205,414,000	29.34%	17.34%
Name of supervisor					
1.	Mr. Zhang Yong Li	(a)	205,414,000	29.34%	17.34%
2.	Ms. Dong Xiao Qing	(a)	205,414,000	29.34%	17.34%

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 the entire issued share capital of Dynamic Win Assets Limited ("Dynamic Win"), and is taken to be interested in 205,414,000 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, supervisors and chief executive 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 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the six months ended 30 June 2005, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30 June 2005, 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 2005, the following interests of 5% or more of the issued share capital of the Company (except for Asian Technology Investment Company Limited which has only 4.22% 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
1. Peking University	(a)	Through a controlled corporation	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	(a)	Directly beneficially owned	110,000,000	15.71%	9.28%
4. Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	115,000,000	16.43%	9.71%
5. Heng Huat	(b)	Through a controlled corporation	205,414,000	29.34%	17.34%
6. Dynamic Win	(b)	Directly beneficially owned	205,414,000	29.34%	17.34%
7. New World CyberBase Limited	(c)	Interest of controlled corporation	84,586,000	12.08%	7.14%
8. New View Venture Limited	(c)	Directly beneficially owned	84,586,000	12.08%	7.14%
9. 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 Co., which is beneficially wholly-owned by Peking University;
 - (iii) 115,000,000 shares (representing approximately 9.71% of the Company's total share capital) held by Beijing Beida Jade Bird Limited, which is approximately 46% owned by Peking University; and
- (b) The shares of the Company are held by Dynamic Win, which is wholly-owned by Heng Huat.
- (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', supervisors and chief executive's 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

Pursuant to the Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with the Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. 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 three members namely, the three independent non-executive directors, Mr. Wang Chao Yong, Professor Nan Xiang Hao and Professor Chin Man Chung, Ambrose. The audit committee has reviewed the interim results for the six months ended 30 June 2005.

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

For the six months ended 30 June 2005, the Company did not purchase, sell or redeem any of the Company's H shares.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period under review. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with such code of conduct and required standard of dealings throughout the period under review.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Rules 5.35 to 5.45 of the GEM Listing Rules setting out the provisions of the practice and procedure of the board of directors have been replaced by Appendix 15 of the Code on Corporate Governance Practices, which took effect from 1 January 2005.

The Company applied the principles and, subject to the following major deviations, complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, except that:

A4.2 Not all Directors are subject to retirement by rotation at least once every three years; and

B1 The remuneration committee has not yet set up by the Company.

By order of the Board

Xu Zhen Dong

Chairman

Beijing, the PRC, 11 August 2005

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