



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

8 January 2008

The GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “GEM Listing Committee”) censures the following parties for breaching the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GLR”):

- 1. Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “Company”) (Stock Code: 8095);**
- 2. Mr Xu Zhen Dong, an executive director of the Company (“Mr ZD Xu”);**
- 3. Mr Xu Zhi Xiang, an executive director of the Company (“Mr ZX Xu”); and**
- 4. Mr Zhang Wan Zhong, an executive director of the Company (“Mr Zhang”).**

Further, the GEM Listing Committee criticises the following parties for breaching the GLR:

- 1. Ms Liu Yue, a former executive director of the Company, resigned effective 9 May 2003 (“Ms Liu”);**
- 2. Mr Chen Zhong, a former executive director of the Company, resigned effective 25 June 2003 (“Mr Chen”);**
- 3. Mr Nan Xiang Hao, an independent non-executive director of the Company (“Mr Nan”); and**
- 4. Mr Chin Man Chung Ambrose, an independent non-executive director of the Company (“Mr Chin”).**

On 6 November 2007, the GEM Listing Committee conducted a hearing into the conduct of the Company, Mr ZD Xu, Mr ZX Xu, Mr Zhang, Ms Liu, Mr Chen, Mr Nan and Mr Chin (collectively, the “Relevant Directors”) in relation to the obligations under the GLR and the Declaration and Undertaking with regard to Directors given by each of the Relevant Directors to the Exchange in the form set out in Appendix 6B to the GLR (the “Director’s Undertaking”).

Facts

The disciplinary hearing was in connection with the following 11 transactions between the Company and its connected persons*:

* *The Company is a PRC issuer. Security System, Beijing Tianqiao, Beida Sci-Tech, HK Jade Bird Sci-Tech, Beida Jade Bird, Shanghai Jade Bird Development and BBON were either promoters of the Company or subsidiaries of the promoters of the Company, and were therefore connected persons of the Company at the material time.*

Advances by the Company to Connected Persons as Deposits for the Purpose of Bidding for Various Projects from Independent Third Parties

1. Case A - Advance of an aggregate sum of RMB1,038,000 to Beijing Jade Bird Security System Company Limited (“Security System”)

Pursuant to a cooperation memorandum entered into with Security System dated 2 July 2001, the Company made two advances to Security System, RMB375,000 and RMB663,000, on 15 July 2001 and 27 April 2002 respectively, as deposits.

2. Case B - Advance of an aggregate sum of RMB13,000,000 to Beijing Tianqiao Beida Jade Bird Sci-Tech Co., Limited (“Beijing Tianqiao”)

Pursuant to two cooperation memoranda entered into with Beijing Tianqiao on 15 January 2003 and 24 January 2003 respectively, the Company made two advances to Beijing Tianqiao, RMB3,000,000 and RMB10,000,000, on 27 January 2003 and 31 January 2003 respectively, as deposits.

3. Case C - Advance of a sum of RMB8,600,000 to Beijing Science and Technology Enterprise Development Centre of Peking University (“Beida Sci-Tech”)

Pursuant to a cooperation memorandum entered into with Beida Sci-Tech dated 15 July 2003, the Company made an advance of RMB8,600,000 to Beida Sci-Tech on 27 September 2003 as deposit.

4. Case D - Advance of a sum of HK\$3,080,000 to Hong Kong Jade Bird Sci-Tech Limited (“HK Jade Bird Sci-Tech”)

Pursuant to a cooperation memorandum entered into with HK Jade Bird Sci-Tech dated 15 October 2003, the Company made an advance of HK\$3,080,000 to HK Jade Bird Sci-Tech on the same day as deposit.

Advances by the Company to Connected Persons as Deposits for Proposed Acquisition of Interests

5. Case E - Advance of an aggregate sum of RMB333,000,000 to Beijing Beida Jade Bird Limited (“Beida Jade Bird”)

By a memorandum dated 1 July 2004, the Company appointed Beida Jade Bird as its agent to negotiate and deal with its intended acquisition of 44 per cent equity interest in Beijing Chengjian Donghua Real Estate Development Company Limited (“Donghua”) from Beijing Dongcheng Residential Centre (“Dongcheng Residential Centre”).

Beida Jade Bird was qualified as a potential buyer from the perspective of Dongcheng Residential Centre to acquire 54 per cent equity interest in Donghua (the “54 per cent Interest”). The Company agreed with Beida Jade Bird that, subject to the latter’s completion of the 54 per cent Interest, it would acquire from the latter 44 per cent equity interest in Donghua at the same consideration paid by Beida Jade Bird (as adjusted based on the proportionate interest to be acquired by the Company).

The Company advanced RMB75,000,000, RMB225,000,000, RMB22,000,000 and RMB11,000,000 on 6 July 2004, 6 September 2004, 29 October 2004 and 16 December 2004 respectively to Beida Jade Bird as earnest money before the latter obtained the 54 per cent Interest.

6. Case F - Advance of RMB55,000,000 to Beijing Tianqiao

The Company entered into an agreement with Beijing Tianqiao dated 5 October 2004 under which the Company would acquire from the latter 51 per cent equity interest in Beijing Beida Jade Bird Commercial Information System Limited. Pursuant to the agreement, the Company paid RMB55,000,000 to Beijing Tianqiao on 5 November 2004 as deposit.

7. Case G - Advance of an aggregate sum of RMB47,000,000 to Beida Sci-Tech

The Company entered into an agreement dated 6 November 2004 with Beida Sci-Tech under which Beida Sci-Tech would act as the Company's agent in negotiating the acquisition of certain intellectual property rights owned by the parent company of Beida Sci-Tech. Pursuant to the agreement, the Company advanced RMB4,000,000, RMB4,000,000 and RMB39,000,000 on 9 November 2004, 27 November 2004 and 16 December 2004 respectively, to Beida Sci-Tech as deposits.

Loans to Connected Persons which were not Provided in the Company's Ordinary and Usual Course of Business

8. Case H - Loan of RMB2,000,000 to Shanghai Beida Jade Bird Enterprise Development Limited ("Shanghai Jade Bird Development")

On 23 September 2004, the Company advanced an unsecured and interest-free loan of RMB2,000,000 to Shanghai Jade Bird Development to finance the latter's working capital need. There was no written agreement in respect of the loan.

9. Case I - Loan of RMB1,000,000 to Beida Jade Bird

On 28 December 2004, the Company advanced an unsecured and interest-free loan of RMB1,000,000 to Beida Jade Bird to finance the latter's working capital need. There was no written agreement in respect of the loan.

Advances by the Company in the form of Purchase Payments or Licence Fee Payments to Third Parties on behalf of Connected Persons

10. Case J - Advance of purchase payments on behalf of Beijing Tianqiao

Throughout the period from 27 July 2000 to 31 December 2004, the Company made various advances at the request of Beijing Tianqiao for the settlement of purchase payments of computer products to overseas suppliers on behalf of Beijing Tianqiao. The total amount of advances for 2000 to 2004 were RMB3,700,000, RMB38,100,000, RMB11,400,000, RMB30,000,000 and RMB2,200,000 respectively. The advances were unsecured, interest-free and had no specific terms of repayment.

11. Case K - Advance of licence fee payments on behalf of Beijing Beida Online Network Company Limited (“BBON”)

From 2002 to 2003, the Company made various advances to BBON in the form of licence fee payments to Skillsoft Asia Pacific Pty Limited on behalf of BBON. The total amount of advances for 2002 and 2003 were RMB5,000,000 and RMB3,300,000 respectively. The advances were unsecured and had no specific terms of repayment. With effect from April 2003, BBON paid interest at the rate of 5.125 per cent on the advances.

The Listing Division alleged that:

1. the Company provided financial assistance in Cases A to J by way of: (i) payment of deposits, earnest money or advancement of loans to connected persons; or (ii) advance in the form of purchase payments to third parties on behalf of a connected person. Such financial assistance was not provided in the Company’s ordinary and usual course of business and not on normal commercial terms. Therefore, the Company breached the then Rules 20.34, 20.35, 20.37 and 20.40 of the GLR and Rules 20.45, 20.47, 20.49 and 20.52 of the GLR in failing to comply with the reporting, announcement and independent shareholders’ approval requirements;
2. the asset ratio and the consideration ratio of the aggregated earnest money in Case E were 26.7 per cent and 39.4 per cent respectively. Therefore, the payment of earnest money constituted a major transaction under the GLR. The Company breached Rules 19.34, 19.38 and 19.40 of the GLR in failing to comply with the announcement, circular and shareholders’ approval requirements;
3. the aggregated value of the earnest money exceeded the 8 per cent threshold in Case E. Therefore, the Company breached Rule 17.15 in failing to comply with the general disclosure obligation;
4. the consideration ratios of the deposit in Case F, the aggregated deposits in Case G and the advance of purchase payments for 2000 in Case J were 6.77 per cent, 6.26 per cent and 32.5 per cent respectively. The payment of deposits or advancement of purchase payments constituted discloseable transactions at the material time. Therefore, the Company breached the then Rules 19.33 and 19.36 of the GLR and Rules 19.34 and 19.38 of the GLR in failing to comply with the announcement and circular requirements; and
5. the Company provided financial assistance by way of advance in the form of licence fee payments to a third party on behalf of a connected person in Case K. Such financial assistance was not provided in the Company’s ordinary and usual course of business but on normal commercial terms. Therefore, the Company breached the then Rules 20.34 and 20.35 in failing to comply with the reporting and announcement requirements.

Further, the Listing Division alleged that the Relevant Directors breached the Director’s Undertaking.

Decision

The GEM Listing Committee concluded that:

- (i) the Company breached:
 - the then Rules 20.34, 20.35, 20.37 and 20.40 of the GLR and Rules 20.45, 20.47, 20.49 and 20.52 of the GLR in respect of Cases A to J;
 - Rules 19.34, 19.38 and 19.40 of the GLR in respect of Case E;
 - Rule 17.15 of the GLR in respect of Case E;
 - the then Rules 19.33 and 19.36 of the GLR and Rules 19.34 and 19.38 of the GLR in respect of Cases F, G and J; and
 - the then Rules 20.34 and 20.35 in respect of Case K.
- (ii) each of the Relevant Directors breached the Director's Undertaking in failing to use his or her best endeavours to cause the Company's compliance with the GLR and in failing to implement an adequate internal control system.

The GEM Listing Committee decided to impose the following sanctions on the parties:

- a public censure on the Company, Mr ZD Xu, Mr ZX Xu and Mr Zhang for their respective breaches mentioned in (i) and (ii) above; and
- a public statement which involves criticism on Ms Liu, Mr Chen, Mr Nan and Mr Chin for their respective breaches mentioned in (ii) above.

The GEM Listing Committee further directed that:

1. the Company retain a compliance adviser for consultation on compliance matters on an ongoing basis for a duration of two years from 8 January 2008. The compliance adviser shall be accountable to the Audit Committee of the Company; and
2. each of Mr ZD Xu, Mr ZX Xu, Mr Zhang, Mr Nan and Mr Chin undertake comprehensive training on corporate and compliance matters for 40 hours offered by recognised professional organisation(s) acceptable to the Listing Division. Such training shall be completed within six months from 8 January 2008. They shall provide the Division with evidence of attendance within two weeks after full compliance with the training requirement.

Richard Williams, Head of Listing, said, "This is another case which concerns the Company's failure to comply with applicable disclosure and connected transactions rules in respect of various transactions over a period of more than four years. Such conduct on the part of the Company and its executive management is seriously prejudicial to the investing public and the Company's shareholders, in that it had deprived the former of timely receipt of material information required to make informed investment decisions, and the latter of their right to vote against connected transactions, particularly in respect of the Company's provision of financial assistance to connected persons. This in turn undermines the framework upon which a fair and orderly market for the trading of securities in Hong Kong is conducted.

In this case, the Company's serious breaches of the GEM Listing Rules arising from various transactions since the Company's listing on the Exchange and over a period of more than four years demonstrates the executive management's lack of proper regard to and understanding of GEM Listing Rule compliance, and the absence of proper and adequate internal control system to ensure compliance. It is of utmost importance that directors have a proper understanding of the GEM Listing Rules and put in place an effective internal control system.

Independent non-executive directors who are also members of the Audit Committee are, by the Code on Corporate Governance Practices, charged with the responsibility of, amongst other matters, reviewing the issuer's internal control system and ensuring that management has discharged its duty to have an effective internal control system. The Audit Committee members of the Company during the period of the breaches have by their own admission failed to discharge a specific obligation in this regard and therefore they are publicly criticised for their failings.

The twin-track approach of punishing past misconduct and requiring the taking of remedial action to improve future corporate governance and compliance is also featured in this case. The Committee has directed that the Company retains a compliance adviser for consultation on compliance matters on an ongoing basis for two years, and that the current executive and independent non-executive directors undergo training in the manner and over the time frame indicated. This approach will no doubt continue to be adopted in future disciplinary cases."