



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**

(Stock Code : 8095)

## **SECOND QUARTERLY RESULTS REPORT**

For the six months ended 30 June 2007



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)

**SECOND QUARTERLY RESULTS REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

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

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*This report, for which the directors of the Company 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.*

## SECOND QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "Company") announced the unaudited consolidated results of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 June 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000 (Restated)	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000 (Restated)
REVENUE	3	23,830	29,663	50,837	40,835
Cost of sales		(17,757)	(24,472)	(42,960)	(35,239)
Gross profit		6,073	5,191	7,877	5,596
Other income	5	756	1,302	4,716	2,026
Distribution expenses		(4,937)	(5,560)	(10,066)	(11,473)
Administrative expenses		(3,987)	(4,673)	(7,533)	(8,340)
Other expenses		(1,692)	(1,075)	(2,593)	(2,238)
LOSS FROM OPERATIONS		(3,787)	(4,815)	(7,599)	(14,429)
Finance costs – interest on bank and other loans		(6,431)	(4,529)	(12,820)	(8,743)
Other loss	6	(17,999)	–	(17,999)	–
Share of loss of an associate		(464)	(350)	(786)	(659)
LOSS BEFORE TAX		(28,681)	(9,694)	(39,204)	(23,831)
Income tax expense	7	–	–	–	–
LOSS FOR THE PERIOD	8	(28,681)	(9,694)	(39,204)	(23,831)
Attributable to:					
Equity holders of the Company		(29,286)	(10,057)	(38,857)	(23,479)
Minority interests		605	363	(347)	(352)
		(28,681)	(9,694)	(39,204)	(23,831)
LOSS PER SHARE					
– basic (RMB)	9	(2.47) cents	(0.85) cent	(3.28) cents	(1.98) cents

## CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		23,946	24,623
Prepaid land lease payments		5,737	5,780
Goodwill		6,125	6,125
Investment in an associate		249,550	250,336
Available-for-sale financial assets	10	405,344	394,847
		<u>690,702</u>	<u>681,711</u>
<b>CURRENT ASSETS</b>			
Inventories		15,244	12,670
Trade receivables	11	17,746	15,202
Due from an associate		61,600	61,600
Due from a shareholder		51	94
Due from related parties		1,137	390
Prepayments, deposits and other receivables		24,349	50,581
Non-pledged time deposits with original maturity of more than three months when acquired		137,688	139,475
Cash and cash equivalents		294,065	91,144
		<u>551,880</u>	<u>371,156</u>
<b>TOTAL ASSETS</b>		<u>1,242,582</u>	<u>1,052,867</u>
<b>CURRENT LIABILITIES</b>			
Bank loans	12	10,000	–
Other loan	13	–	220,996
Trade payables	14	14,275	11,822
Advances from customers		10,495	7,815
Accruals and other payables		26,644	27,369
Due to a shareholder		783	612
Advances from a related party		202,201	–
Due to related parties		1,688	2,305
Current tax liabilities		9,076	9,076
		<u>275,162</u>	<u>279,995</u>

## CONSOLIDATED BALANCE SHEET (Continued)

		<b>30 June 2007 (Unaudited) RMB'000</b>	31 December 2006 (Audited) RMB'000
	<i>Notes</i>		
<b>NET CURRENT ASSETS</b>		<b>276,718</b>	91,161
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>967,420</b>	772,872
<b>NON-CURRENT LIABILITIES</b>			
Bank loan	12	–	20,000
Other loan	13	<b>218,701</b>	–
Share options	15	<b>19,839</b>	–
<b>NET ASSETS</b>		<b>728,880</b>	752,872
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>118,480</b>	118,480
Reserves		<b>604,011</b>	630,113
Equity attributable to equity holders of the Company		<b>722,491</b>	748,593
Minority interests		<b>6,389</b>	4,279
<b>TOTAL EQUITY</b>		<b>728,880</b>	752,872

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2007

	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Reserve funds	Investment revaluation reserve	Retained profits	Foreign currency translation reserve	Total	Minority interests	Total equity
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000 (restated)	Unaudited RMB'000
At 1 January 2006	118,480	377,720	53,787	68,711	208,568	(11,556)	815,710	4,105	819,815
Changes in fair value of available-for-sale financial assets	-	-	-	15,944	-	-	15,944	-	15,944
Translation differences	-	-	-	-	-	(3,109)	(3,109)	-	(3,109)
Net income/(expense) recognised directly in equity	-	-	-	15,944	-	(3,109)	12,835	-	12,835
Loss for the period	-	-	-	-	(23,479)	-	(23,479)	(352)	(23,831)
Total recognised income and expense for the period	-	-	-	15,944	(23,479)	(3,109)	(10,644)	(352)	(10,996)
At 30 June 2006	118,480	377,720	53,787	84,655	185,089	(14,665)	805,066	3,753	808,819
At 1 January 2007	118,480	377,720	53,787	53,288	168,934	(23,616)	748,593	4,279	752,872
Changes in fair value of available-for-sale financial assets	-	-	-	22,401	-	-	22,401	-	22,401
Translation differences	-	-	-	-	-	(9,439)	(9,439)	-	(9,439)
Net income/(expense) recognised directly in equity	-	-	-	22,401	-	(9,439)	12,962	-	12,962
Loss for the period	-	-	-	-	(38,857)	-	(38,857)	(347)	(39,204)
Total recognised income and expense for the period	-	-	-	22,401	(38,857)	(9,439)	(25,895)	(347)	(26,242)
Issue of ordinary shares to minority shareholders	-	-	-	-	-	-	-	1,500	1,500
Change in capital reserve	-	489	-	-	-	-	489	261	750
Transfer to/(from) reserve funds	-	-	(893)	-	197	-	(696)	696	-
At 30 June 2007	118,480	378,209	52,894	75,689	130,274	(33,055)	722,491	6,389	728,880

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000 (Restated)
Net cash inflow/(outflow) from operating activities	20,859	(4,625)
Net cash inflow/(outflow) from investing activities	204,519	(3,517)
Net cash outflow from financing activities	<u>(15,152)</u>	<u>(11,460)</u>
Net increase/(decrease) in cash and cash equivalents	210,226	(19,602)
Effect of foreign exchange rate change	(7,305)	(2,207)
Cash and cash equivalents at the beginning of period	<u>91,144</u>	<u>185,557</u>
Cash and cash equivalents at the end of period	<u>294,065</u>	<u>163,748</u>

Note:

## 1. Principal Activities

The Group was principally engaged in the research, development, manufacture, marketing and sale of embedded systems, including network security products (“NET”), wireless fire alarm systems (“WFAS”) and related products. The Group was also engaged in the sale of computer products (“Computer”) and the provision of total solution services through application of its existing embedded system products.

## 2. Basis of Presentation

### 2.1 Adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current period, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current periods and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

### 2.2 Basis of preparation

These unaudited consolidated financial statements have been prepared in accordance with HKAS34 “Interim Financial Reporting” issued by HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values. These financial statements are presented in Renminbi (“RMB”), which is the same as the functional and presentation currency of the Company, and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

The accounting policies adopted in preparing these unaudited consolidated financial statement are consistent with those used in the Company’s annual audited consolidated financial statements for the year ended 31 December 2006.



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## 2. **Basis of Presentation** *(Continued)*

### 2.2 **Basis of preparation** *(Continued)*

#### *Basis of consolidation*

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the period between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

### 3. Revenue

The Group's revenue represents the net invoiced value of goods sold to customers after allowances for returns and trade discounts, and the value of services rendered, net of sales taxes.

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Sale of embedded systems and related products	17,359	14,356	24,773	18,756
Sale of computer products	6,368	15,277	25,866	22,041
Rendering of total solution services	103	30	198	38
	<u>23,830</u>	<u>29,663</u>	<u>50,837</u>	<u>40,835</u>

### 4. Segment information

#### Primary reporting format – business segments

	Six months ended 30 June 2007 (unaudited)				
	NET RMB'000	WFAS RMB'000	Computer RMB'000	Properties development RMB'000	Total RMB'000
<b>Revenue</b>	<u>4,425</u>	<u>20,546</u>	<u>25,866</u>	<u>-</u>	<u>50,837</u>
<b>Results</b>					
Segment results	<u>(1,184)</u>	<u>(1,590)</u>	<u>2,233</u>	<u>-</u>	<u>(541)</u>
Interest income					4,787
Finance costs					(12,820)
Other loss					(17,999)
Share of loss of an associate				(786)	(786)
Unallocated corporate expenses					<u>(11,845)</u>
Loss before tax					<u>(39,204)</u>
Income tax expense					<u>-</u>
Loss of the period					<u>(39,204)</u>

#### 4. Segment information (Continued)

	Six months ended 30 June 2006 (unaudited)				
	NET RMB'000	WFAS RMB'000	Computer RMB'000	Properties development RMB'000	Total RMB'000 (Restated)
<b>Revenue</b>	<u>4,086</u>	<u>14,708</u>	<u>22,041</u>	<u>-</u>	<u>40,835</u>
<b>Results</b>					
Segment results	<u>(3,655)</u>	<u>(731)</u>	<u>45</u>	<u>-</u>	<u>(4,341)</u>
Interest income					1,870
Finance costs					(8,743)
Other loss					-
Share of loss of an associate				(659)	(659)
Unallocated corporate expenses					<u>(11,958)</u>
Loss before tax					(23,831)
Income tax expense					<u>-</u>
Loss of the period					<u>(23,831)</u>

#### 5. Other income

	Three months ended 30 June		Six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000 (Restated)	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000 (Restated)
Interest income	<u>3,168</u>	855	<u>4,787</u>	1,870
Net foreign exchange gain/(loss)	<u>(3,184)</u>	112	<u>(2,888)</u>	(235)
Others	<u>772</u>	335	<u>2,817</u>	391
	<u>756</u>	<u>1,302</u>	<u>4,716</u>	<u>2,026</u>

**6. Other loss**

		Three months ended 30 June		Six months ended 30 June	
		2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
	Note				
Fair value of share options	15	17,749	–	17,749	–
Exchange difference		250	–	250	–
		<u>17,999</u>	<u>–</u>	<u>17,999</u>	<u>–</u>

**7. Income tax expense**

Hong Kong profits tax has not been provided as the Group has no assessable profits arising in Hong Kong during the period (2006: RMB Nil). Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

The Company is registered in the Beijing New Technology Enterprise Development Zone and has been certified by the relevant People's Republic of China ("PRC") authorities as a high technology enterprise. Pursuant to the Income Tax Law in the PRC, the Company is subject to corporate income tax at a rate of 15%. In accordance with an approval document issued by the relevant tax bureau, the Company has been granted income tax exemption for the three years ended 31 December 2002 and 50% reduction in corporate income tax for the three years ended 31 December 2005. No provision for corporate income tax was made for the period as the Company incurred tax loss for the period ended 30 June 2007.

The subsidiaries of the Group established in the PRC are generally subject to income tax on their taxable income at a combined national and local tax rate of 33%. Certain subsidiaries enjoy tax preferential rights and subject to a tax rate of 15% during the period.

At 30 June 2007, there was no significant unrecognised deferred tax liability (2006: RMB Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the directors do not have intention to remit such earnings to the Company in the foreseeable future.

## 8. Loss for the period

The Group's loss for the period is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2007 Unaudited RMB'000	2006 Unaudited RMB'000	2007 Unaudited RMB'000	2006 Unaudited RMB'000
Advertising and promotion costs	2,317	6,170	4,806	6,380
Depreciation of property, plant and equipment	620	690	1,302	1,427
Operating lease rentals in respect of land and buildings	417	635	851	917
Research and development costs	1,227	1,056	2,127	2,202
Reversal of allowance for doubtful other receivables	4	–	160	–
Reversal of allowance for doubtful trade receivables	699	–	745	–
Staff costs (excluding directors' and supervisors' remuneration)	3,921	4,379	8,137	8,941
Write-off of obsolete and slow-moving inventories	–	–	380	–
Fair value of share options	17,999	–	17,999	–

## 9. Loss per share

The calculation of loss per share attributable to equity holders of the Company of RMB2.47 cents and RMB3.28 cents (2006: RMB0.85 cent and RMB1.98 cents) for the three and six months ended 30 June 2007 respectively were based on loss attributable to equity holders of the Company of approximately RMB29,286,000 and RMB38,857,000 (2006: approximately RMB10,057,000 and RMB23,479,000) and the weighted average number of 1,184,800,000 and 1,184,800,000 ordinary shares (2006: 1,184,800,000 and 1,184,800,000 ordinary shares) in issue during the period respectively.

**10. Available-for-sale financial assets**

	<b>30 June 2007 (Unaudited) RMB'000</b>	31 December 2006 (Audited) RMB'000
Equity securities, at fair value		
Listed in Hong Kong	<b>399,490</b>	388,814
Equity securities, at cost		
Unlisted outside Hong Kong	<b>2,018</b>	2,078
Debt instruments, at fair value		
Unlisted outside Hong Kong	<b>3,173</b>	3,271
Convertible option of debt instruments		
Unlisted outside Hong Kong	<b>663</b>	684
	<b>405,344</b>	394,847

**11. Trade receivables**

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is sometimes required. The credit period generally ranges from 3 to 6 months, starting from the date on which the significant risks and rewards of ownership of products are 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 latest. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforesaid and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

## 11. Trade receivables (Continued)

The aged analysis of the trade receivables, 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 latest, is as follows:

	<b>30 June 2007 (Unaudited) RMB'000</b>	31 December 2006 (Audited) RMB'000
Within 3 months	<b>12,234</b>	12,035
3 to 6 months	<b>3,051</b>	1,641
6 to 12 months	<b>691</b>	649
Over 12 months	<b>1,770</b>	877
	<b>17,746</b>	15,202

The fair value of the Group's trade receivables at 30 June 2007 was approximately equal to the compounding carrying amount.

## 12. Bank loan

	<b>30 June 2007 (Unaudited) RMB'000</b>	31 December 2006 (Audited) RMB'000
Bank loans are repayable as follows:		
On demand or within one year	<b>10,000</b>	–
In the second year	–	20,000
In the third to fifth years, inclusive	–	–
	<b>10,000</b>	20,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(10,000)</b>	–
Amount due for settlement after 12 months	–	20,000

The carrying amount of the Group's bank loan is denominated in Renminbi (2006: Renminbi).

During the period, the average interest rates paid for bank loans ranged from 5.914% to 7.425% (31 December 2006: 6.22% to 8.41%).

Bank loan of RMB10,000,000 (31 December 2006: RMB20,000,000) is arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 30 June 2007, bank loan of RMB10,000,000 (31 December 2006: RMB20,000,000) was secured by a charge over certain property, plant and equipment and prepaid land lease payments of the Group.

**13. Other loan**

The Group's other loan represented the cash collateral received from a financial institution in exchange of the available-for-sale financial assets lent to them. The cash collateral is denominated in US\$ and repayable on 18 June 2007 originally. The effective interest rate of the cash collateral is US\$-LIBOR one month rate plus 4% originally. Pursuant to a supplemental letter agreement dated 18 May 2007, the repayable date was changed to 18 June 2010 and the effective interest rate was changed to US\$-LIBOR three month rate plus 4%.

**14. Trade payables**

The aged analysis of the trade payables, based on the date on which the significant risks and rewards of ownership of materials were transferred by the suppliers to the Group, is as follows:

	<b>30 June 2007 (Unaudited) RMB'000</b>	31 December 2006 (Audited) RMB'000
Within 3 months	<b>9,933</b>	7,022
3 to 6 months	<b>720</b>	504
6 to 12 months	<b>657</b>	212
Over 12 months	<b>2,965</b>	4,084
	<b>14,275</b>	11,822

The fair value of the Group's trade payables at 30 June 2007 was approximately equal to the corresponding carrying amount.



## 15. Share options

On 18 May 2007, Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited ("JBU Development"), a wholly-owned subsidiary of the Company, entered into a share options agreement with Nexgen Capital Limited ("NCL"), pursuant to which JBU Development agreed to grant to NCL share options on 50% of any of the 323,888,000 fully paid ordinary shares of Semiconductor Manufacturing International Corporation ("SMIC") lent by JBU Development to NCL ("Loan Shares") pursuant to the Securities Lending Agreement on a one-to-one basis. The share options are automatically exercisable by NCL by reference to the options relevant price on each day of the exercise period as compared to the strike price which is fixed at the amount of US\$0.2168 (equivalent to approximately HK\$1.6959) per share, and will expire on the date falling 2 days on which the Stock Exchange is scheduled to be opened for trading during its regular trading session before 18 June 2010. The share options are exercisable by two methods, being physical settlement and cash settlement methods.

The movement of the share options for the period is set out as follows:

	<i>Note</i>	<b>30 June 2007 (Unaudited) RMB'000</b>	31 December 2006 (Audited) RMB'000
Initial recognition, at fair value		<b>21,694</b>	–
Decrease in fair value		<b>(3,945)</b>	–
Fair value of share options	6	<b>17,749</b>	–
Upfront premium received		<b>2,090</b>	–
		<b>19,839</b>	–

## 16. Share capital

	<b>30 June 2007 (Unaudited) RMB'000</b>	31 December 2006 (Audited) RMB'000
Registered, issued and fully paid:		
– 700,000,000 domestic shares of RMB0.10 each	<b>70,000</b>	70,000
– 484,800,000 H shares of RMB0.10 each	<b>48,480</b>	48,480
	<b>118,480</b>	118,480

**17. Related party transactions**

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

	Three months ended 30 June		Six months ended 30 June	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Sales of embedded systems products and provision of total solution services to:				
Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited	–	–	–	625
Shanghai Jade Bird Fire Equipment Marketing Company Limited	1,007	1,954	1,071	1,954
Shanghai Beida Jade Bird BIS Company Limited – Nanjing Branch	115	17	339	36
Rental expense of an office building charged by Beida Jade Bird Limited	130	215	258	272
Deposit received from Beijing Beida Jade Bird Security System Engineering Technology Company Limited in relation to the disposal of 44% of the registered capital of Beijing Chengjian Donghua Real Estate Development Company Limited and shareholders' loan	202,201	–	202,201	–

**18. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: RMB Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Principal activities*

The Group reaps its rewards for the adjustment in sales policy in leaning on risk-assessed credit orders in the year 2007 continuously. The adjustment provides the impetus to the marketing power of the Group. The Group recorded turnover in the amount of RMB23,830,000 in the second quarter of year 2007 ("2Q07"). Turnover was racked up to an amount of RMB50,837,000 for the six months ended 30 June 2007 ("Review Period 07"), representing a remarkable increase of 24.49% as compared with the same period ended 30 June 2006 ("Review Period 06"). Benefit from the industrious utilization of resources, the Group recorded a loss from operations of RMB3,787,000 in 2Q07. Aggregate loss from operations dropped to RMB7,599,000 in Review Period 07, representing a decrease of 47.34% as compared with Review Period 06. Loss for the period, excluding other loss being fair value of share options granted, reduced to RMB10,682,000 in 2Q07. Aggregate loss for the period, excluding other loss being fair value of share options granted, reduced to RMB21,205,000 in Review Period 07, representing a decrease of 11.02% as compared with Review Period 06.

Turnover for wireless fire alarm system jumped up to RMB20,546,000 for Review Period 07, representing an increase of 39.69% as compared with Review Period 06. During Review Period 07, the Group sent additional sales representatives to provinces so as to introduce the products and expand the market share. More representation offices were opened. However, owing to the commission paid to agents, net loss of this segment increased by 117.51% to RMB1,590,000.

Turnover for network security product rose up to RMB4,425,000, representing a slight increase of 8.30% as compared with Review Period 06. During Review Period 07, the Group organized two promotion campaigns to introduce the products actively to high value customers including government departments and high schools. The result of the campaigns reflected on the boost up in turnover for Review Period 07. Net loss dropped significantly by 67.61% to RMB1,184,000 in Review Period 07.

Resulting from the increasing trend for technical upgrade, computer market shows an upward trend in Review Period 07. Computer sales grew up by 17.35% to RMB25,866,000. Net profits boost up by almost 49 times to RMB2,233,000.

Other incomes increased by 132.77% to RMB4,716,000 as compared with Review Period 06. Other incomes mainly represented valued-added tax refund by the tax bureau to 武漢北大青鳥網軟有限公司 (Wuhan Beida Jade Bird Netsoft Company Limited), a non wholly-owned subsidiary of the Company ("WBJBN").

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review (Continued)

#### Principal activities (Continued)

During Review Period 07, WBJBN was awarded “2007全國電子政務優秀平台獎” and “2007電子政務應用優秀供應商” by 中國信息協會 (China Information Industry Association).

#### Available-for-sale financial assets – Semiconductor Manufacturing International Corporation (“SMIC”)

According to the SMIC results for 2Q07, revenue increased by 3.7% over the three months ended 30 June 2006 (“2Q06”) to US\$374.8 million, but decreased by 3.5% from US\$388.3 million in the three months ended 31 March 2007 (“1Q07”). Gross margin were 10.3% in 2Q07 as compared to 9.5% in 1Q07. Net loss was US\$2.1 million in 2Q07 as compared to a net income of US\$8.8 million in 1Q07. Contribution from 90nm production increased to 22.0% of wafer revenue in 2Q07 as compared to 14.4% in 1Q07.

SMIC continued to expand its foundry business in 2Q07. It posted increasing revenues year-on-year, but declining revenues quarter-on-quarter due to difficult pricing pressures in the DRAM market. SMIC expected total revenue can be increased by 2 to 5% while revenue contribution from the 90-nanometer node will continue to increase.

SMIC are currently developing an 8Gb NAND flash product and the 2Gb NAND flash product is expected to reach the market in the second half of year 2007. The development of the 65-nanometer logic technology is in progress and the pilot production is expected by the end of year 2007. In addition, SMIC expects that DRAM product will start to convert to below 90-nanometer by the end of year 2007.

#### Major event

On 15 May 2007, the Company entered into a supply agreement with 上海北大青鳥消防設備銷售有限公司 (Shanghai Beida Jade Bird Fire Equipment Marketing Company Limited) (“SBJBF”), a related party of the Company, in relation to the supply of fire alarm systems products from 河北北大青鳥環宇消防設備有限公司 (Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited), a non wholly-owned subsidiary of the Company to SBJBF. The supply agreement was treated to have come into effect on 20 August 2003 and should remain in force until 31 December 2005. The supply agreement was renewed to a term of three years thereafter subject to the termination clause in the agreement. Annual cap of the supply agreement is in an estimate aggregate amount of approximately RMB6.6 million for each of the two years ending 31 December 2007 and 2008.

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## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review (Continued)

#### Major event (Continued)

On the same day, the Company entered into a supply agreement with 北京北大青鳥信息系統有限公司 (Beijing Beida Jade Bird Information System Company Limited) (“BBJBIS”), a related party of the Company, in relation to the supply of network management products and firewall products from WBJBN to BBJBIS. The supply agreement was treated to have come into effect on 1 January 2006 and shall remain in force for a term of three years thereafter subject to the termination clause in the agreement. Annual cap of the supply agreement is in an estimate aggregate amount of approximately RMB2.8 million for each of the two years ending 31 December 2007 and 2008.

Up to the date of this report, sales to SBJBF and BBJBIS were approximately RMB1,071,000 and RMBnil respectively. Details of the connected transactions are included in the announcement of the Company dated 15 May 2007.

On 18 May 2007, Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited (“JBU Development”), a wholly-owned subsidiary of the Company, entered into a supplemental letter agreement with Nexgen Capital Limited (“NCL”). According to the supplemental letter agreement, both parties agreed to certain amendments to the terms of the Securities Lending Agreement entered into by both parties on 15 December 2006 (“SLA”) including, *inter alia*, extension of the duration of the transaction under the SLA for a period of 42 months to 18 June 2010 following its expiration, adjustment to the rate of interest from US\$ LIBOR one-month rate plus 4.00% to US\$ LIBOR three-month rate plus 4.00%, and the maximum amount of collateral to be deposited by NCL with JBU Development from approximately US\$28 million to approximately US\$32 million.

On the same day, JBU Development entered into a share options agreement with NCL, pursuant to which JBU Development agreed to grant to NCL share options on 50% of any of the 323,888,000 fully paid ordinary shares of SMIC lent by JBU Development to NCL (“Loan Shares”) pursuant to the SLA on a one-to-one basis. The share options are automatically exercisable by NCL by reference to the options relevant price on each day of the exercise period as compared to the strike price which is fixed at the amount of US\$0.2168 (equivalent to approximately HK\$1.6959) per share, and will expire on the date falling 2 days on which the Stock Exchange is scheduled to be opened for trading during its regular trading session before 18 June 2010. The share options are exercisable by two methods, being physical settlement and cash settlement methods. Pursuant to the share options agreement, NCL paid an upfront premium to JBU Development in the amount of approximately US\$0.3 million on 22 May 2007. NCL is required to pay quarterly premium in an amount of 2.2% per annum on the amount of collateral deposited by NCL at each payment date up to 18 June 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review (Continued)

#### Major event (Continued)

Details of the amendment to the SLA and the grant of share options are stated on the circular of the Company dated 11 June 2007.

On 21 May 2007, the Company and 北京北大青鳥安全系統工程技術有限公司 (Beijing Beida Jade Bird Security System Engineering Technology Company Limited, a non wholly-owned subsidiary of Beijing Beida Jade Bird Limited) (referred to as “Purchaser”), entered into a share transfer agreement (“STA”) pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase 44% of the registered capital of 北京城建東華房地產開發有限公司 (Beijing Chengjian Donghua Real Estate Development Company Limited) (“Chengjian Donghua”) and the shareholder’s loan of RMB61.6 million advanced by the Company to Chengjian Donghua previously (collectively referred to as “Disposal”). The aggregate cash consideration for the Disposal is RMB697.2 million, comprising RMB635.6 million for the sale shares and RMB61.6 million for the shareholders’ loan. The Purchaser, through a related company, paid a deposit of RMB202 million on 25 May 2007. The balance of RMB495.2 million shall be payable by the Purchaser within 7 business days after completion of the STA. Completion of the STA is conditional upon the duly approval of the STA by the Company and the Purchaser, the duly approval of the transfer of sale shares by the shareholders and directors of Chengjian Donghua, the duly approval of the STA by the directors and independent shareholders of the Company and, if applicable, the approval of the Disposal by the Stock Exchange. Up to the date of report, all the conditions has been fulfilled pending for the settlement of the balance of RMB495.2 million by the Purchaser.

Details of the Disposal are set out in the circular of the Company dated 18 June 2007.

#### Liquidity and financial resources

Net assets of the Group reached RMB729 million as at 30 June 2007. It deteriorated by 3.19% from 31 December 2006 mainly as a result of further loss for the Review Period 07, increase in foreign exchange translation difference and the grant of share options. Net asset per share was RMB0.62 (31 December 2006: RMB0.64). The Group generally financed its operation by internal resources and interest bearing debts. Benefit from the RMB202 million deposit received from the Purchaser pursuant to the Disposal, cash and cash equivalents boosted up by 2.2 times to RMB294 million. The Group placed the deposit into a HK dollar fixed deposit account temporarily to earn interest. Bank interest income of approximately RMB0.8 million was received from this fixed deposit for Review Period 07.

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## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Business Review** *(Continued)*

#### *Liquidity and financial resources (Continued)*

As at 30 June 2007, the Group had total outstanding borrowings of approximately RMB228.7 million, including interest bearing bank loans of approximately RMB10 million and an amount due to NCL of approximately RMB218.7 million which represented a collateral deposited by NCL with JBU Development in consideration of the lending of Loan Shares by JBU Development to NCL pursuant to SLA (as supplemented by supplemental letter agreement). The Group's interest-bearing bank loan was secured by mortgage over certain of the Group's property, plant and equipment and prepaid land lease payments with net book values of approximately RMB13.7 million and RMB nil amount respectively.

Current ratio, being the ratio of current assets to current liabilities, was approximately 2.01 (31 December 2006: 1.33). Gearing ratio, being the ratio of total interest bearing debts to equity, was approximately 31.38% (31 December 2006: 32.0%). Gearing ratio improved as the Group incepted no additional interest bearing debts during Review Period 07. Finance costs increased by 46.63% to RMB12,820,000 mainly as a result of the other loan incepted at the end of year 2006.

The financial position of the Group is gratifying.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency of Renminbi. Approximately 50.88% (2006: 53.98%) of the Group's turnover was denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 58.96% (2006: 61.79%) of the costs are denominated in currencies other than the units' functional currencies.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure when it is necessary to do so.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Business Review** *(Continued)*

#### *Capital commitment*

The Group did not have material capital commitment as at 30 June 2007 (31 December 2006: RMB nil).

#### *Contingent Liabilities*

Chengjian Donghua is currently a defendant in a civil litigation in Beijing involving the land use rights of a parcel of land which is currently registered under the name of Chengjian Donghua. Shenzhen Development Bank is the plaintiff in such civil proceedings. The litigation has no material progress since 1 January 2007. The Company had disposed all of its equity interest in Chengjian Donghua through STA entered into on 21 May 2007 as stated on the section "Major Event" above.

Save as disclosed above, the Group has no contingent liabilities as at 30 June 2007 (31 December 2006: RMB nil).

#### *Human Resources*

The Group employed around 245 staff as at 30 June 2007. Over 68.16% of them possess bachelor degree or above and 3 of them are doctorates. The Group develops its remuneration policy with reference to market practice. The Group also provides medical insurance and on-the-job training to its staff.

## **OUTLOOK**

The overall performance of the Group improves continuously in 2Q07. For the rest of the year, the Group will follow through its adjusted sales policy. It will continue to expand and penetrate deeply into the market for both wireless fire alarm products and network security products by conducting more promotion campaigns and setting more representation offices. In the mean time, the Group will enhance product quality and develop more new products. Although the Group is still making net loss for 2Q07, profitability of the Group is inevitably improved. The Group is having a rosy view on its full year results for the year 2007.



## DIRECTORS, SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2007, the interests (including interests in shares 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:

			<b>Number of shares held, capacity and nature of beneficiary interest of a trust</b>	<b>Approximate percentage of the Company's total issued domestic share capital</b>	<b>Approximate percentage of the Company's total issued share capital</b>
	<i>Note</i>				
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%

## **DIRECTORS, SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(Continued)*

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 Rules 5.46 to 5.67 of the GEM Listing Rules.

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

Save as disclosed in the section "Employee Share Option Scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director and supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors and supervisors to acquire such rights in any other body corporate. As at 30 June 2007, none of the directors or the supervisors had any rights to acquire H Shares in the Company.

### **EMPLOYEE SHARE OPTION SCHEME**

The Company conditionally approved a share option scheme on 5 July 2000, pursuant to which the Board may, at its discretion, grant share option to any full-time employees of the Group to subscribe for shares in the Company, subject to a maximum of 30% of the Company's shares in issue at the date of grant. However, employees who are PRC nationals shall not be entitled to exercise the option until the current restrictions on PRC nationals from subscribing for or dealing in H shares imposed by the relevant PRC law and regulations have been abolished or removed. No options have been granted by the Company to any employees of the Group since the date of establishment of the share option scheme.

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

At 30 June 2007, the following interests and short positions of the 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 total number of issued H shares	Approximate percentage of the Company's issued share capital
1. Peking University	(a)	Through a controlled corporation	310,000,000	44.28%	Not applicable	26.16%
2. Beijing Beida Yu Huan Microelectronics System Engineering Company	(a)	Directly beneficially owned	85,000,000	12.14%	Not applicable	7.17%
3. Beijing Beida Jade Bird Software System Company	(a)	Directly beneficially owned	110,000,000	15.71%	Not applicable	9.28%
4. Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	115,000,000	16.43%	Not applicable	9.71%
5. Heng Huat Investments Limited	(b)	Through a controlled corporation	205,414,000	29.34%	Not applicable	17.34%
6. Dynamic Win Assets Limited	(b)	Directly beneficially owned	205,414,000	29.34%	Not applicable	17.34%
7. Mongolia Energy Corporation Limited (formerly known as "New World CyberBase Limited")	(c)	Through a controlled corporation	84,586,000	12.08%	Not applicable	7.14%
8. New View Venture Limited	(c)	Directly beneficially owned	84,586,000	12.08%	Not applicable	7.14%
9. Asian Technology Investment Company Limited		Directly beneficially owned	50,000,000	7.14%	Not applicable	4.22%
10. Tai Fook Securities Company Limited	(d)	Directly beneficially owned	80,800,000	Not applicable	16.67%	6.82%
11. Tai Fook Finance Company Limited	(d)	Through a controlled corporation	80,800,000	Not applicable	16.67%	6.82%
12. Tai Fook (BVI) Limited	(d)	Through a controlled corporation	80,800,000	Not applicable	16.67%	6.82%

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

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 北京市北大宇環微電子系統工程公司 (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; and
  - (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.
- (b) The shares of the Company are held by Dynamic Win Assets Limited, 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 Mongolia Energy Corporation Limited (formerly known as "New World CyberBase Limited").
- (d) The shares are held by Tai Fook Securities Company Limited, which is directly wholly-owned by Tai Fook Finance Company Limited and indirectly wholly-owned by Tai Fook (BVI) 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, supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Group.

### POST BALANCE SHEET EVENTS

The Group do not have significant post balance events after period end.

## **AUDIT COMMITTEE**

The Company established its audit committee (the "Audit Committee") with terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include review and supervision of the financial reporting process and internal control and corporate governance issues of the Company and make relevant recommendations to the Board.

The Audit Committee comprises three members, namely, Prof. Nan Xiang Hao, Prof. Chin Man Chung, Ambrose and Mr. Cai Chuan Bing, all are independent non-executive directors. Prof. Nan Xiang Hao is the chairman of the Audit Committee. An Audit Committee was held to review the Group's second quarterly results report for the six months ended 30 June 2007 and provide advice and recommendations to the Board of Directors.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules during the period under review.

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

For the six months ended 30 June 2007, the Company did not purchase, sell or redeem any of the Company's H shares.

By order of the Board

**Beijing Beida Jade Bird Universal Sci-Tech Company Limited**

**Xu Zhen Dong**

*Chairman*

Beijing, the PRC, 13 August 2007