



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 : 08095)



Second Quarterly Results Report

For the six months ended 30 June 2008

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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 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Three months ended 30 June		Six months ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)
TURNOVER	3	34,549	23,830	59,967	50,837
Cost of sales		(23,235)	(17,757)	(44,993)	(42,960)
Gross profit		11,314	6,073	14,974	7,877
Other income	5	9,141	3,940	28,004	7,604
Distribution expenses		(4,134)	(4,937)	(8,163)	(10,066)
Administrative expenses		(8,285)	(3,987)	(16,994)	(7,533)
Other operating expenses		(3,838)	(1,692)	(5,653)	(2,593)
PROFIT/(LOSS) FROM OPERATIONS		4,198	(603)	12,168	(4,711)
Finance costs	6	(6,797)	(9,615)	(35,461)	(15,708)
Change in fair value of financial assets at fair value through profit and loss		(1,616)	–	(516)	–
Change in fair value of derivative financial instruments	17	197	(17,999)	6,141	(17,999)
Share of loss of an associate		–	(464)	–	(786)
Share of loss of a jointly controlled entity		(4)	–	(4)	–
Other loss		–	–	(489)	–
LOSS BEFORE TAX		(4,022)	(28,681)	(18,161)	(39,204)
Income tax expense	7	–	–	–	–
LOSS FOR THE PERIOD	8	(4,022)	(28,681)	(18,161)	(39,204)
Attributable to:					
Equity holders of the Company		(5,053)	(29,286)	(17,108)	(38,857)
Minority interests		1,031	605	(1,053)	(347)
		(4,022)	(28,681)	(18,161)	(39,204)
LOSS PER SHARE					
– basic (RMB)	9	(0.43) cent	(2.47) cents	(1.44) cents	(3.28) cents

CONSOLIDATED BALANCE SHEET

	Note	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		41,262	23,896
Prepaid land lease payments		5,651	5,693
Goodwill		6,125	6,125
Other intangible assets		19	–
Investment in a jointly controlled entity		339	–
Available-for-sale financial assets	10	196,923	377,291
		250,319	413,005
CURRENT ASSETS			
Inventories		22,401	13,112
Trade receivables	11	26,532	20,549
Loan receivable	12	104,610	130,120
Financial assets at fair value through profit and loss	13	8,613	–
Due from a shareholder		47	47
Due from related parties		376	388
Prepayments, deposits and other receivables		58,921	23,159
Non-pledged time deposits with original maturity of more than three months when acquired		189,830	89,488
Cash and cash equivalents		415,213	654,107
		826,543	930,970
TOTAL ASSETS			
		1,076,862	1,343,975
CURRENT LIABILITIES			
Trade payables	14	30,246	20,408
Advances from customers		21,413	6,269
Accruals and other payables		48,796	46,471
Dividend payables		13,916	–
Due to a shareholder		1,519	1,050
Due to related parties		2,116	2,029
Bank loans	15	–	10,000
Current tax liabilities		52,663	52,663
		170,669	138,890
NET CURRENT ASSETS			
		655,874	792,080
TOTAL ASSETS LESS CURRENT LIABILITIES			
		906,193	1,205,085

	Note	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Bank loans	15	–	–
Other loan	16	99,980	177,711
Derivative financial instruments	17	404	6,783
		100,384	184,494
NET ASSETS			
		805,809	1,020,591
CAPITAL AND RESERVES			
Share capital	18	118,480	118,480
Reserves		643,370	843,985
Equity attributable to equity holders of the Company		761,850	962,465
Minority interests		43,959	58,126
TOTAL EQUITY			
		805,809	1,020,591

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Reserve funds	Foreign currency translation reserve	Investment revaluation reserve	Retained profits	Proposed final dividend	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	(Unaudited) RMB'000	(Unaudited) RMB'000
At 1 January 2007	118,480	377,720	53,787	(23,616)	53,288	168,934	-	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	-	-	-	(9,439)	22,401	-	-	12,962	-	12,962
Loss for the period	-	-	-	-	-	(38,857)	-	(38,857)	(347)	(39,204)
Total recognised income and expense for the period	-	-	-	(9,439)	22,401	(38,857)	-	(25,895)	(347)	(26,242)
Capital contribution from minority shareholders	-	489	-	-	-	-	-	489	1,761	2,250
Transfer to/(from) reserve funds	-	-	(893)	-	-	197	-	(696)	696	-
At 30 June 2007	118,480	378,209	52,894	(33,055)	75,689	130,274	-	722,491	6,389	728,880
At 1 January 2008	118,480	378,209	77,974	(44,167)	4,728	403,545	23,696	962,465	58,126	1,020,591
Changes in fair value of available-for-sale financial assets	-	-	-	-	(148,059)	-	-	(148,059)	(14,487)	(162,546)
Translation differences	-	-	-	(11,752)	-	-	-	(11,752)	-	(11,752)
Net income/(expense) recognised directly in equity	-	-	-	(11,752)	(148,059)	-	-	(159,811)	(14,487)	(174,298)
Loss for the period	-	-	-	-	-	(17,108)	-	(17,108)	(1,053)	(18,161)
Total recognised income and expense for the period	-	-	-	(11,752)	(148,059)	(17,108)	-	(176,919)	(15,540)	(192,459)
Dividend declared	-	-	-	-	-	-	(23,696)	(23,696)	-	(23,696)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	884	884
Other gain	-	-	-	-	-	-	-	-	489	489
At 30 June 2008	118,480	378,209	77,974	(55,919)	(143,331)	386,437	-	761,850	43,959	805,809

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008 Unaudited RMB'000	2007 Unaudited RMB'000
Net cash inflow from operating activities	44,269	20,859
Net cash inflow/(outflow) from investing activities	(148,147)	204,519
Net cash outflow from financing activities	(91,292)	(15,152)
Net increase/(decrease) in cash and cash equivalents	(195,170)	210,226
Effect of foreign exchange rate change	(43,724)	(7,305)
Cash and cash equivalents at the beginning of period	654,107	91,144
Cash and cash equivalents at the end of period	415,213	294,065

Note:

1. Principal Activities

The Group was principally engaged in the research, development, manufacture, marketing and sale of embedded system products 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 development of travel and leisure business.

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 2008. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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 Group has already commenced an assessment of the impact of these new HKFRSs, but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2.2 Basis of preparation

These 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 ("GEM Listing Rules") and by the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain 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.

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 2007.

Basis of consolidation

The 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.

2. Basis of Presentation (Continued)

2.2 Basis of preparation (Continued)

Basis of consolidation (Continued)

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. Turnover

The Group's turnover which represents the net invoiced value of goods sold to customers after allowances for returns and trade discounts are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Sale of embedded system products and related products	24,521	17,359	35,037	24,773
Sale of Computer	5,123	6,368	19,974	25,866
Rendering of travel and leisure services	4,905	103	4,956	198
	34,549	23,830	59,967	50,837

4. Segment information

Primary reporting format – business segments

The Group is organised into four main business segments:

- the manufacture and sale of NET;
- the manufacture and sale of WFAS;
- the trading of Computer; and
- the tourism development.

	Six months ended 30 June 2008 (unaudited)				
	NET	WFAS	Computer	Tourism	Total
	RMB'000	RMB'000	RMB'000	development	RMB'000
				RMB'000	
Revenue	3,982	31,055	19,974	4,956	59,967
Segment results	(3,786)	2,011	(317)	(3,931)	(6,023)
Interest income					25,714
Finance costs					(35,461)
Change in fair value of financial assets at fair value through profit and loss					(516)
Change in fair value of derivative financial instruments					6,141
Share of loss of a jointly controlled entity					(4)
Other loss					(489)
Unallocated corporate expenses					(7,523)
Loss before tax					(18,161)
Income tax expense					-
Loss for the period					(18,161)

4. Segment information (Continued)
Primary reporting format – business segments (Continued)

	Six months ended 30 June 2007 (unaudited)				Total RMB'000 (Restated)
	NET RMB'000	WFAS RMB'000	Computer RMB'000	Properties development RMB'000	
Revenue	4,425	20,546	25,866	–	50,837
Segment results	(1,184)	(1,590)	2,233	–	(541)
Interest income					4,787
Finance costs					(15,708)
Change in fair value of derivative financial instruments					(17,999)
Share of loss of an associate				(786)	(786)
Unallocated corporate expenses					(8,957)
Loss before tax					(39,204)
Income tax expense					–
Loss for the period					(39,204)

5. Other income

	Three months ended 30 June		Six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)
Bank interest income	1,443	3,168	7,351	4,787
Interest income from loan receivable	7,667	–	18,363	–
Others	31	772	2,290	2,817
	9,141	3,940	28,004	7,604

6. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Interest on bank loans	4	172	43	412
Interest on other loan	(597)	6,259	1,123	12,408
Net foreign exchange losses	7,390	3,184	34,295	2,888
	6,797	9,615	35,461	15,708

7. Income tax expense

	Three months ended 30 June		Six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Current tax – Mainland China	–	–	–	–
	–	–	–	–

No provision for Hong Kong profits tax has been made for the periods ended 30 June 2008 and 2007 as the Group did not generate any assessable profits arising in Hong Kong during the periods. 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 original Income Tax Law in the PRC, the Company is subject to enterprise 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 enterprise income tax for the three years ended 31 December 2005. No provision for enterprise income tax was made for the periods ended 30 June 2008 and 2007 as the Company incurred tax loss for that periods.

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.

7. Income tax expense (Continued)

The new PRC Unified Corporate Income Tax Law ("CIT Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the corporate income tax rate for domestic and foreign enterprises at 25%. The new tax law has been effective from 1 January 2008. The Group has already commenced an assessment of the impact of CIT Law but is not yet in a position to state whether the CIT Law would have a material impact on its results of operations and financial position.

At 30 June 2008, there was no significant unrecognised deferred tax liability (2007: 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/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Advertising and promotion costs	146	2,317	407	4,806
Depreciation	1,273	620	2,084	1,302
Operating lease charges in respect of land and buildings	554	417	905	851
Research and development costs	1,400	1,227	2,820	2,127
Reversal of allowance for doubtful other receivables	-	4	2	160
Reversal of allowance for doubtful trade receivables	160	699	786	745
Staff costs (excluding directors' and supervisors' emoluments)	7,830	3,921	15,145	8,137
Retirements benefits scheme contributions	522	303	871	577
Social security costs	461	285	829	557
Wages, salaries and bonuses	6,847	3,333	13,445	7,003
Write-off of obsolete and slow-moving inventories	-	-	-	380
Gain on disposal of fixed assets	(755)	(2)	(755)	(2)

9. Loss per share

The calculation of basic loss per share attributable to equity holders of the Company for the three months ended 30 June 2008 is based on loss attributable to equity holders of the Company of approximately RMB5,053,000 (2007: approximately RMB29,286,000) and the weighted average number of 1,184,800,000 ordinary shares (2007: 1,184,800,000 ordinary shares) in issue during the period.

The calculation of basic loss per share attributable to equity holders of the Company for the six months ended 30 June 2008 is based on loss attributable to equity holders of the Company of approximately HK\$17,108,000 (2007: approximately RMB38,857,000) and the weighted average number of 1,184,800,000 ordinary shares (2007: 1,184,800,000 ordinary shares) in issue during the period.

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the three and six months ended 30 June 2008 respectively.

No diluted loss per share is present as the Company did not have any dilutive potential ordinary share during the three and six months ended 30 June 2007 respectively.

10. Available-for-sale financial assets

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Equity securities, at fair value		
Listed in Hong Kong	149,910	294,211
Listed outside Hong Kong	46,763	82,980
Equity securities, at cost		
Unlisted outside Hong Kong	250	100
Debt instruments, at fair value		
Unlisted outside Hong Kong	-	-
Convertible option of debt instruments, at fair value		
Unlisted outside Hong Kong	-	-
	196,923	377,291

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 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:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
0 to 90 days	12,330	17,940
91 to 180 days	6,829	681
181 to 365 days	2,109	1,188
Over 365 days	5,264	740
	26,532	20,549

The fair value of the Group's trade receivables as at 30 June 2008 was approximately equal to the corresponding carrying amount.

12. Loan receivable

The loan receivable as at 30 June 2008 is denominated in HK\$ and secured by 3,170,808,000 ordinary shares of a Hong Kong listed company beneficially owned by the borrower, interest bearing at an annual interest rate of 48% and a non-refundable back-end fee of HK\$6 million, and is repayable within one year.

The loan receivable as at 31 December 2007 is denominated in US and secured by a share charge executed by the holding company of the borrower over thirty six shares of the borrower, interest-bearing at annual interest rate of 30% and is repayable within one year. The loan was fully repaid before the end of 30 June 2008.

13. Financial assets at fair value through profit and loss

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Held-for-trading equity securities, at fair value		
Listing in Hong Kong	8,613	–
	8,613	–

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:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
0 to 90 days	21,466	16,669
91 to 180 days	2,493	117
181 to 365 days	947	133
Over 365 days	5,340	3,489
	30,246	20,408

The fair value of the Group's trade payables as at 30 June 2008 was approximately equal to the corresponding carrying amount.

15. Bank loans

Bank loans are repayable as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
On demand or within one year	–	10,000
In the second year	–	–
	–	10,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(10,000)
Amount due for settlement after 12 months	–	–

The carrying amount of the Group's bank loan as at 31 December 2007 were denominated in Renminbi.

The average interest rate paid for bank loans at 31 December 2007 was 7.42%.

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

16. 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 2010. The coupon interest rate and effective interest rate of the cash collateral are US\$-LIBOR three months rate plus 4% and 6.4% respectively.

17. Derivative financial instruments

On 18 May 2007, the Group entered into a share options agreement with a financial institution pursuant to which the Group agreed to grant to this financial institution share options on 50% of any of the 323,888,000 fully paid ordinary shares of Semiconductor Manufacturing International Corporation ("SMIC") lent by the Group to this financial institution on a one-to-one basis. The share options are automatically exercisable by this financial institution 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 per share (equivalent to approximately HK\$1.6914 per share as at 30 June 2008), 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 fair value of the share options were calculated using an option pricing model and the change in fair value is recognised in the income statement:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Fair value at beginning period/year	6,783	–
Change in fair value for the period/year	(6,141)	7,064
Exchange difference	(238)	(281)
Fair value at end of period/year	404	6,783

18. Share capital

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Registered, issued and fully paid:		
– 700,000,000 domestic shares of RMB0.10 each	70,000	70,000
– 484,800,000 H shares of RMB0.10 each	48,480	48,480
	118,480	118,480

19. 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	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Sales of embedded systems products to:				
Beijing Beida Jade Bird BIS Company Limited	87	105	405	105
Shanghai Jade Bird Fire Equipment Marketing Company Limited	872	1,007	1,319	1,071
Shanghai Beida Jade Bird BIS Company Limited – Nanjing Branch	361	115	518	339
Rental expense of an office building charged by Beijing Beida Jade Bird Limited	178	130	253	258
Disposal of 44% equity interest in and a loan receivable from Beijing Chengjian Donghua Real Estate Development Company Limited to Beijing Beida Jade Bird Security System Engineering Technology Company Limited	–	202,201	–	202,201

20. 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 2008 (2007: RMB Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Overall

The Group has faced rigorous challenge from worldwide slowdown in economic growth in the first half of 2008 ("First Half 08"). The situation is exacerbated by the spring snowstorm and Sichuan earthquake in the Mainland China. Despite of the above adverse matters, the Group's performance is not much affected. Overall turnover increased by approximately RMB9,130,000 or 18.0% year to year ("YoY") and reached RMB59,967,000 in First Half 08. Gross profit was approximately RMB14,974,000 in First Half 08 and almost doubled the figure in the first half of 2007 ("First Half 07"). Gross profit margin improved by 9.5% and reached 25.0% in First Half 08 as a result of decrease in sales discount for embedded system products and the contribution from travel and leisure business in the first time.

WFAS

WFAS segment represented approximately 51.8% of the Group's total turnover in First Half 08 and became the Group's largest segment in terms of turnover. Segment turnover rose up by approximately RMB10,509,000 or 51.1% to RMB31,055,000. Segment profit was approximately RMB2,011,000 in First Half 08 while segment loss was approximately RMB1,590,000 in First Half 07. WFAS segment had been performing well in First Half 08 as a result of expansion through credit relaxation, completion of certain major fire prevention system projects and intelligent system projects, and contribution from 四川久遠智能監控有限責任公司 (Sichuan Jiu Yuan Intelligent Surveillance Co., Ltd.) ("SCIS") since April 2008. Although the Sichuan earthquake in May 2008 led to suspension of SCIS's service centres in Chengdu, Mianyang and Deyang, the effect on the performance of SCIS was limited.

NET

NET segment represented about 6.6% of the Group's total turnover in First Half 08. Segment turnover dropped by approximately RMB443,000 or 10.0% YoY to RMB3,982,000. Segment loss increased by approximately RMB2,602,000 or approximately 2.2 times YoY to RMB3,786,000. During First Half 08, the Group concentrated its effort in development of new management platform software. System upgrade process of existing products was deferred. The Group also restructured the sales team. Contribution from newly recruited salespersons is yet to be assessed. Economy slowdown reduced market confidence. Certain projects were postponed to the second half of the year.

Computer

Computer segment represented about 33.3% of the Group's total turnover in First Half 08. Segment turnover dropped by approximately RMB5,892,000 or 22.8% YoY to RMB19,974,000. Segment loss was approximately RMB317,000 in First Half 08 as compared with segment profit of approximately RMB2,233,000 in First Half 07. The segment made loss owing to a decrease in demand and reversal of certain costs accrual during First Half 07.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business review (Continued)

Travel and leisure

Travel and leisure business started in October 2007. The segment represented about 8.3% of the Group's total turnover in First Half 08. Segment turnover represented the amount of environmental friendly bus fare. 48 buses were serving tourists by the end of June 2008. During First Half 08, around 100,000 tourists took the environmental friendly bus of the Group during their visit of 南岳衡山風景名勝區 (Nanyue Hengshan Scenic Spot). Segment loss of approximately RMB3,931,000 in First Half 08 was mainly the result of pre-operating expenses incurred. The construction of Hengshan Terminal has been principally approved by local government. The Group is waiting for the approval of the design and expects to commence construction in the fourth quarter of 2008.

Available-for-sale financial assets – Semiconductor Manufacturing International Corporation ("SMIC")

According to the announcement of SMIC dated 28 July 2008, overall revenue dropped to US\$342.9 million in the second quarter of 2008 ("2Q08"), representing a decrease of 8.5% YoY. Gross profit dropped to US\$20.8 million, representing a decrease of 45.9% YoY. It was mainly the result of reduction in DRAM shipments following the decision to exit the commodity DRAM business in the first quarter of 2008 ("1Q08"). On the other hand, the exit improved the overall gross margin of SMIC. Despite gross profit margin still dropped from 10.3% in the second quarter of 2007 ("2Q07") to 6.1% in 2Q08, it turned around from a gross loss margin of 9.0% in 1Q08. SMIC recorded a net loss of US\$45.6 million in 2Q08, representing an increase of over 22 times YoY but a decrease of approximately 79.7% quarter to quarter. Loss continued as SMIC were still in the transitional stage of converting the DRAM capacity in Beijing facility into logic production.

8-inch wafer shipments decreased 9.3% to 402,114 units in 2Q08 as compared with 443,445 units in 2Q07 due to lower DRAM shipments. Total logic wafer shipments, however, increased to 360,623 units in 2Q08, representing an increase of 41.5% YoY and 7.8% quarter to quarter. SMIC expects to increase logic wafer shipments at least 30% in 2008 as compared with 2007. The demand for 8-inch fab service was strong during 2Q08. SMIC expects demand will persist in the remaining of 2008, especially in communications and customer applications. Logic output for the 0.13um and 90nm technology nodes is expected to increase around 10% in the third quarter of 2008. Internal 65nm library and bit cell development and 45nm collaboration with IBM are proceeding smoothly on schedule.

On a regional basis, revenue from North America remains solid. Revenue from this geographical segment contributed to 55.1% of total revenue of SMIC in 2Q08. On the other hand, revenue from the Asia Pacific region, including the Mainland China and Taiwan but excluding Japan, shows the highest growth. Revenue from this segment contributed to 34.7% of total revenue of SMIC in 2Q08.

Available-for-sale financial assets – Zhang Jia Jie Tourism Development Ltd. ("ZJJ Tourism")

According to the announcement of ZJJ Tourism dated 31 July 2008, ZJJ Tourism recorded a turnover of RMB36.8 million in First Half 08, representing a decrease of 45.9% YoY owing to the de-consolidation of certain travel agents from the beginning of 2008 and the nosedive in number of tourist after the snowstorm in spring and Sichuan earthquake in May 2008. Despite the poor performance in the principal business, ZJJ Tourism recorded a net profit of RMB6.3 million in First Half 08 while it made loss of RMB 4.5 million in First Half 07. During First Half 08, ZJJ Tourism settled several debts in the course of debt reconstruction. ZJJ Tourism reversed accruals for contingent liabilities in an amount of RMB26.5 million as a result.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business review (Continued)

Available-for-sale financial assets – Zhang Jia Jie Tourism Development Ltd. (“ZJJ Tourism”) (Continued)

The split share structure reform of ZJJ Tourism was not approved by its shareholders. ZJJ Tourism has not reopened the reform procedure up to date of announcement.

Major event

Best Chance Holdings Limited (“Best Chance”) entered two HK\$ senior secured term loan facility agreements in a maximum amount of HK\$83.0 million and HK\$28.4 million respectively (collectively the “Agreements”) with the Group on 29 May 2008. Pursuant to the Agreements, the Group agreed to make available facilities in an aggregate maximum amount of HK\$111.4 million to Best Chance for a period of six months at an interest rate of 48% per annum and a non-refundable back-end fee of HK\$6 million. Aggregate amount of HK\$109.7 million was advanced to Best Chance before the end of June 2008. The facilities are secured by way of a first fixed charge on all its rights, title and interest in 3,170,808,000 ordinary shares of China Best Group Holding Limited which is listed in Hong Kong (and including all shares to be issued in the future or bonus stock or shares or other new securities of a similar nature) beneficially owned by Best Chance in favour of the Group. Details of transaction are set out in a circular of the Company issued on 23 June 2008.

The formation of investment fund (the “Fund”) as described in a circular of the Company issued on 25 April 2008 was duly approved by the shareholders in a special general meeting held on 10 June 2008.

The spring snowstorm in PRC did not affect the Group. Being a responsible company, the Group donated RMB1 million to help the victims.

The Sichuan earthquake which happened in May 2008 had not affected the Group except for SCIS owing to its physical location. Certain equipments were destroyed. The factory was closed and business operation was suspended until early June 2008. The loss from damage was around RMB538,000.

Liquidity and financial resources

Net asset value of the Group decreased by RMB214,782,000 or 21.0% to RMB805,809,000 as at 30 June 2008 as compared with the net asset value as at 31 December 2007. It was mainly the result of decrease in fair values of the Group’s available-for-sale financial assets owing to the fall in Hong Kong stock markets. The Group had cash and cash equivalents of approximately RMB415,213,000 as at 30 June 2008. It decreased by a 36.5% as compared with the position as at 31 December 2007 because the Group repaid part of the cash collateral which was previously received from a financial institution in exchange of certain available-for-sale financial assets lent to it. Current ratio, being the ratio of current assets to current liabilities, deteriorated from 6.7 as at 31 December 2007 to 4.8 as at 30 June 2008. Gearing ratio, being the ratio of total interest bearing debts to total equity, reduced from approximately 18.4% as at 31 December 2007 to 12.4% as at 30 June 2008. Both the deterioration of current ratio and improvement in gearing ratio were owing to the cash collateral repayment during First Half 08.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Exposure to foreign currencies

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United State dollars and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and debts. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

Capital commitment and contingent liabilities

The Group had no material capital commitment nor contingent liabilities as at 30 June 2008 (2007: RMB Nil).

HUMAN RESOURCES

The Group employed around 648 staff as at 30 June 2008. Over 51.2% of them possess bachelor degree or above and 1 of them is doctorate. Around 123 staff carried out research and development works. The Group offered competitive remuneration package to its staff including medical insurance and travel insurance. The Group strictly follows the requirements both in Hong Kong and the PRC regarding provident and welfare funds. Employer contributions were made timely.

OUTLOOK

The Group expects a feeble performance in the IT market in the coming months giving the current volatile market condition and weak customer confidence. The Group will follow a cautious strategy towards its IT business. Regarding the WFAS segment, the Group will continue to consolidate its market position through upgrade and stabilization of existing products. The Group seeks to expand the market share by way of establishment of more representative offices in major cities as well as acquisition. Regarding the NET segment, the Group expects that research and development of new management platform software will be completed in the fourth quarter of 2008. Corresponding products will be available in the market near the end of the year. The Group will speed up system upgrade process of existing products in order to maintain its market share. Deferred projects are expected to be re-commenced in the second half of 2008. For the Computer segment, The Group expects the performance will remain stable. Regarding the travel and leisure business, the Group estimates the market will be recovered moderately after the natural disasters in First Half 08. The number of tourists will gradually pick up in the second half of the year which is a traditional peak season. This segment performance will improve gradually.

Followed by the shareholder approval in June 2008, the Fund is ready to start its investment plan in the coming months. The Group is going to keep close with our joint venture partner to ensure that investment will be conducted at extremely caution. The Group will not conclude additional investment at rush and will only select those opportunities with high potential of positive profit and cashflow stream. The Group will continue to monitor current investments relentlessly at the same time. The Group is braced for more challenges coming in the remaining months of 2008.

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

At 30 June 2008, 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 were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Long positions:

		Note	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
<i>Name of director</i>					
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%
<i>Name of supervisor</i>					
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 ("Heng Huat Trust"). By a declaration of 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 over 300 (formerly 477 employees) employees of 北京北大青鳥軟件系統有限公司 (Beijing Beida Jade Bird Software System Co., Ltd.), 北京北大青鳥有限責任公司 (Beijing Beida Jade Bird Limited), 北京北大宇環微電子系統有限公司 (Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd.) and 北京天橋北大青鳥科技股份有限公司 (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.

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

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 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 2008, none of the directors or the supervisors had any rights to acquire H shares ("H Shares") of 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 2008, 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	Note	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	44.29%	Not applicable	26.16%
2. Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd. (formerly known as 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 Co., Ltd. (formerly known as Beijing Beida Jade Bird Software System Company)	(a), (b)	Directly beneficially owned and through a controlled corporation	225,000,000	32.14%	Not applicable	18.99%
4. Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	115,000,000	16.43%	Not applicable	9.71%
5. Heng Huat Investments Limited	(c)	Through a controlled corporation	205,414,000	29.34%	Not applicable	17.34%
6. Dynamic Win Assets Limited	(c)	Directly beneficially owned	205,414,000	29.34%	Not applicable	17.34%
7. Mongolia Energy Corporation Limited	(d)	Through a controlled corporation	84,586,000	12.08%	Not applicable	7.14%
8. New View Venture Limited	(d)	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. Taifook Securities Company Limited	(e)	Directly beneficially owned	80,800,000	Not applicable	16.67%	6.82%
11. Taifook Finance Company Limited	(e)	Through a controlled corporation	80,800,000	Not applicable	16.67%	6.82%
12. Taifook (BVI) Limited	(e)	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 issued share capital) held by 北京北大宇環微電子系統有限公司 (Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd.) ("Yu Huan"), which is beneficially owned by Peking University;
 - (ii) 110,000,000 shares (representing approximately 9.28% of the Company's total issued share capital) held by 北京北大青鳥軟件系統有限公司 (Beijing Beida Jade Bird Software System Co., Ltd.) ("JB Software"), which is beneficially owned by Peking University; and
 - (iii) 115,000,000 shares (representing approximately 9.71% of the Company's total issued share capital) held by 北京北大青鳥有限責任公司 (Beijing Beida Jade Bird Limited) ("Beida Jade Bird"), which is beneficially owned by Peking University.

On 21 January 2008, the Company had been notified by Yu Huan and JB Software that both companies had entered into share transfer agreements with 杭州北大青鳥科技有限公司 (Hang Zhou Beida Jade Bird Sci-Tech Co., Ltd.) ("HZ Jade Bird"), a non wholly-owned subsidiary of Beida Jade Bird which is 80% beneficially owned by it, respectively on 18 January 2008 whereas both companies agreed to sell to HZ Jade Bird their entire equity interests in the Company (collectively the "Transfers"). The Transfers are conditional upon approvals by 國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council). The Transfers are not effective as at 30 June 2008.

- (b) The interest of JB Software comprises 110,000,000 shares held by JB Software itself and 115,000,000 shares held by Beida Jade Bird, which is beneficially held by JB Software.
- (c) The shares of the Company are held by Dynamic Win Assets Limited, which is wholly-owned by Heng Huat.
- (d) The shares of the Company are held by New View Venture Limited, which is wholly-owned by Mongolia Energy Corporation Limited.
- (e) The shares are held by Taifook Securities Company Limited, which is directly wholly-owned by Taifook Finance Company Limited and indirectly wholly-owned by Taifook (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.

EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant events after 30 June 2008.

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, Professor Nan Xiang Hao, Professor Chin Man Chung, Ambrose and Mr. Cai Chuan Bing. All of them are independent non-executive directors. Professor Nan Xiang Hao is the chairman of the Audit Committee. The Audit Committee had held a meeting and reviewed the Group's second quarterly results report for the six months ended 30 June 2008.

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 First Half 08.

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

For the six months ended 30 June 2008, 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, 12 August 2008