



北京北大青鳥環宇科技股份有限公司

Beijing Beida Jade Bird Universal Sci-Tech Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

ANNUAL RESULTS ANNOUNCEMENT

For the year ended 31st December, 2000

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This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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ANNUAL RESULTS ANNOUNCEMENT

For the year ended 31st December, 2000

Highlights

- Successful entry to GEM as a publicly listed company on 27th July, 2000
- Achieved a turnover of RMB61 million, representing an approximately 5 times increase as compared to the previous year
- Accomplished a net profit of RMB31 million, turning loss to profit
- Accomplished a earnings per share of RMB3.8 cents
- Maintained a strong financial position with RMB327 million cash on hand and nil borrowings
- Subdivided each share with a nominal value of RMB1 into ten shares with a nominal value of RMB0.1

CHAIRMAN'S STATEMENT

The Year 2000 was a year of significant growth for us. Through corporate reorganization, we have received investments from strategic investors and through listing of our shares on the Hong Kong Stock Exchange, we have gained access to the international capital market.

With the embedded system technology developed from Peking University, the Company's operating philosophy hinges on "talent-based, core technology and product backup". Prior to the reorganization, our proprietary embedded technology was not widely recognized in the market. Through the sustained efforts of the management, research and development personnel as well as sales personnel, our embedded products are now readily recognized by the market in the PRC. Our trademark "Jade Bird Universal" has also been successfully registered. We will try to establish the trademark as a brand name for exceptional quality.

In October 2000, we were approved by the China State Cryptography Control Authority Office ("CSCCAO") as a designated commercial cryptographic product manufacturer, which we believe is a recognition of our advantages and status in the production technology and development of the commercial cryptographic products. Last year, our "SSP01 Encryption Algorithm Chip" also passed the trials and accreditation of CSCCAO for production, which is an official recognition of our outstanding achievement in the research and development of specific security integrated circuits ("ICs"). Capitalizing upon our distinct advantages and experience in encryption technology, CSCCAO also approved our proposal to research and develop "SJY01-A Data Encryption Card" and to apply our accredited "SSP01 Encryption Algorithm Chip" on the card.

We are of the view that these approvals are recognitions of our accomplishments in the research and development of network security and ASIC products, and further increase our confidence in this area.

In January 2001, the State Intellectual Property Bureau awarded the Company an "Invention Patent Certificate" for our anti-hacker network security technology. Our invention is considered as not only a major advancement in network security technology, but also enhances our position in the research and development of relevant network security products.

This year, we commenced the adoption of the Wireless Fire Alarm System ("WFAS") in urban areas, which is a change in application of this technology from government departments to commercialization. Our fire alarm and monitoring systems have passed the examination of the State Testing Center and are currently being used in local regions. Our "Hainan Jade Bird Safeguard Fire Alarm and Monitor Technologies" project has laid down the foundation of the concept of wireless fire alarm system. Encouraged by the emphasis of by the PRC government on "double backup" of fire alarm system, we believe that the WFAS will set a new trend for the demand of fire alarm products.

In conclusion, we believe that the on-going innovation and creation of our research and development team has achieved advancement and remarkable performance in the embedded technology. Currently, we have 120 personnel in the research and development and expect to expand our research and development team as develop further in technology.

To make the Company a technology and market leader of the PRC in the field of the information security industry, the management intends to seek extensive international technological collaboration with institutions and businesses in Germany, the United Kingdom, Canada, India, Japan and other countries in order to secure better returns for shareholders, investors in and the Company in the flourishing information market.

RESULTS

The Directors have the pleasure of presenting the consolidated audited results of the Company and its subsidiary (together “the Group”) for the year ended 31st December, 2000, together with the comparative figures for the year ended 31st December, 1999, as follows:

	Note	2000 RMB '000	1999 RMB '000
Turnover	2	60,843	10,419
Operating expenses:			
Material and equipment		(15,783)	(7,270)
Employment costs		(10,817)	(3,455)
Depreciation of fixed assets		(2,960)	(1,262)
Other operating expenses		(6,733)	(2,931)
Profit (Loss) from operations		24,550	(4,499)
Interest income		6,726	13
Exchange loss		(209)	-
Profit (Loss) before taxation		31,067	(4,486)
Taxation	3	-	-
Profit (Loss) attributable to shareholders		31,067	(4,486)
Earnings (Loss) per share-basic (RMB cents)	4	3.80	(0.64)

1. Group reorganization and basis of presentation

The Company was incorporated as a Sino-foreign joint stock company with limited liability in Beijing, the People’s Republic of China (the “PRC”) on 29th March, 2000. The Company’s shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 27th July, 2000.

On 17th April, 2000, the Company has completed a reorganisation as set out in the Company’s Prospectus dated 20th July, 2000 (the “Reorganisation”). The Reorganisation involved entities under common control and the Company resulting from the Reorganisation is regarded as a continuing business. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the financial statements have been prepared as if the Reorganisation had been completed as at 1st January, 2000 and the business activities had been conducted by the Company since 1st January, 2000, rather than from the date on which the Reorganisation was completed. The comparative figures for the year ended 31st December, 1999 have been presented on the same basis.

The principal accounting policies adopted in preparing the audited consolidated results conform to Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

2. Turnover

Turnover included sales of embedded system products and the provision of total solution services after deducting the applicable sales taxes as follows:

	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000
Sales of embedded systems and related products	13,388	711
Total solution contracts	<u>47,455</u>	<u>9,708</u>
Total turnover	<u>60,843</u>	<u>10,419</u>

3. Taxation

(a) Enterprise income tax ("EIT")

The Company, being located in the Beijing New Technology Development Experimental Zone is subject to a reduced EIT rate of 15%. It is exempted from EIT for three years starting from Year 2000, its first operating year, followed by a 50% reduction of EIT from the fourth to the sixth year.

(b) Value-added tax ("VAT")

The Company is subject to VAT in the PRC levied at the rate of 17% on the amount of sales of its products as well as provision of processing, repairs and replacement services in the PRC. VAT paid on the Company's purchases may be used to offset the VAT on the sales amount to arrive at the net VAT payable.

(c) Business tax ("BT")

The Company is subject to the PRC BT on the provision of maintenance, support and training services in the PRC. The BT rate is 5% on the related revenue.

4. Earnings per share

The calculation of earnings per share for the year ended 31st December, 2000 was based on the profit attributable to shareholders of approximately RMB31,067,000 (1999 – loss of approximately RMB4,486,000) and on the weighted average number of 812,721,000 shares (1999 – 700,000,000 shares) in issue during the year, according to the basis of presentation described in Note 1, and adjusted for the effect of the subdivision of shares made by the Company in December 2000.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares outstanding.

MOVEMENTS IN RESERVES

	2000					1999	
	Share premium	Capital reserve	Statutory reserves	Dividends	Retained earnings	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consolidated							
Beginning of year	-	11,379	-	-	-	11,379	13,257
Surplus on revaluation of fixed assets	-	-	-	-	-	-	2,608
Effect of the Reorganisation	-	(18,810)	-	-	-	(18,810)	-
Premium on issuance of H shares	281,964	-	-	-	-	281,964	-
Share issuance expenses	(30,693)	-	-	-	-	(30,693)	-
Profit (Loss) attributable to shareholders	-	-	-	-	31,067	31,067	(4,486)
Transfer to reserves	-	7,431	4,664	-	(12,095)	-	-
Proposed dividend	-	-	-	4,820	(4,820)	-	-
End of year	<u>251,271</u>	<u>-</u>	<u>4,664</u>	<u>4,820</u>	<u>14,152</u>	<u>274,907</u>	<u>11,379</u>

In accordance with the Company's articles of association, the Directors proposed appropriations of 10% and 5% of net profit to statutory surplus reserve and statutory public welfare fund. For the year ended 31st December, 2000, the appropriations amounted to RMB3,109,000 (1999 : nil) and RMB1,555,000 (1999 : nil) for statutory surplus reserve and statutory public welfare fund respectively.

FINAL DIVIDEND

The Directors proposed a dividend of RMB0.5 cents per share for both Promoters' Shares and H Shares, totalling approximately RMB4,820,000, for the year ended 31st December, 2000. The proposed dividend is subject to approval by the Company's shareholder in the annual general meeting to be held on 29th May, 2001. It is intended that the dividend will be payable on or before 16th July, 2001 to holders of Promoters' Shares and H Shares whose names appear on the register of members of the Company at 4:00 p.m. on 27th April, 2001.

Dividend per share for the year ended 31st December, 2000 was calculated based on the proposed dividends of approximately RMB4,820,000, divided by the number of 964,000,000 shares in issue as at 31st December, 2000.

CLOSURE OF H SHARES REGISTER

The H shares register of shareholders of the Company will be closed from 28th April, 2001 to 29th May, 2001 (both days inclusive), during which no transfer of H shares will be effected.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The audited consolidated turnover of the Group for the year ended 31st December, 2000 amounted to RMB60,843,000, representing an increase of RMB50,424,000, or a growth of 4.8 times over 1999.

The Group's profit attributable to shareholders and earnings per share for the year ended 31st December, 2000 were RMB31,067,000 and RMB3.8 cents respectively, turning loss in previous year to profit this year.

As at 31st December, 2000, the Group had net working capital of approximately RMB361,425,000, of which RMB327,469,000 was cash.

For the year ended 31st December, 2000, approximately 22% and 78% of the revenue were derived from the sales of embedded system products and the provision of total solution services respectively.

Business Review

GPS Application System

In addition to the renewal of the existing engineering project with Sichuan Tianmu Monitor & Security Systems Co. Ltd., the Company has successfully secured a contract with Beijing InterCar Network Technology Ltd. These two control center projects have contributed a total revenue of approximately RMB22,563,000, a 137.4 times increase over last year. The box unit of the GPS application system for vehicles is expected to be ready for installation and testing in 2001 at which times the corresponding revenue will materialize accordingly.

Network Security Products

Network security is one of the major focuses in developing the network industry. The Company is one of the few designated commercial encryption product manufacturers accredited by CSCCAO. Commercial network security product is now the second largest source of revenue source for the Company depicting a noticeable rising trend. In 2000, the revenue derived from this segment amounted to RMB22,043,000, an increase of 2.6 times over last year. Given our unique proprietary technology and market position, we believe a sustained growth in the related revenue will continue.

Wireless Fire Alarm System ("WFAS")

In 2000, the revenue derived from our WFAS amounted to RMB6,621,000, an increase of 5.4 times over last year. The urban WFAS products designed and installed for Hainan Jade Bird Safeguard Firefighting Alarm & Monitor Technologies Co. Ltd. has already become an industry benchmark. The marketing of WFAS products will be extended to other provinces and cities in the PRC.

ASIC Products

ASIC products have always been the center of attention in the information technology industry. The Company's ASIC products have become fully fledged from previous year's research and development phase of rudimentary products and achieved a revenue of RMB6,287,000 in 2000, an increase of 8.2 times over last year. In view of the huge potential market demand in the PRC coupled with our proprietary technology and its application in network security, the Company believes that ASIC products will mature over time in line with the special features of the PRC market.

Smart Card Application Systems

Since smart card application systems products have been widely accepted and used by people, competition is relatively intense amongst suppliers. However, benefited from the Company's origin in tertiary education institutions and close relationship with our peers as well as the practicality in the concept of "One Card for Campus Services" project, the revenue derived from smart card application systems reached RMB3,329,000, an increase of 0.3 times over last year. At present, the Company has completed the design and installation of smart card application systems in a number of middle schools and universities. It provides an alternative payment method for the younger generation. In addition, our smart card application systems were also applied by a number of government authorities such as China State Statistic Department, China State Planning Committee and Ministry of Finance etc which boarden our customer base in the application of this product.

Outlook

Since March 2000, the information technology industry has been under enormous impact and is undergoing a period of consolidation. In face of the ever-intense competition, the Company leveraged its proprietary technology and employee dedication in achieving a satisfactory result during a very tough year

In the coming year, the Company will continue to strengthen its research and development team by increasing the number of research from 120 persons to 180. Meanwhile, the Company will establish a technology research centre and a sales and distribution centre in Beijing and recruit experienced sales personnel to spearhead the introduction of our proprietary embedded system products into the market.

The establishment of a research and development centre in Shenzhen will be one of the Company's key development project in the coming year. We will actively coordinate with the relevant government authorities in securing a more favorable site for development as well as

capitalising upon the various talents concentrated in Shenzhen to speed up the construction of the centre in Shenzhen.

To integrate the research and development of commercial cryptographic technology with the anti-hacker network security gateway developed by us in 2000, we are committed to drive the development and improvement as well as commercialisation of our embedded products and elevate the further advancement of the information network industry in the PRC.

As both the government and business sectors are placing increasing emphasis on urban wireless fire alarm systems, the Company will proactively research and develop various types of WFAS tailored for the characteristics and requirements of different regions. The Company aims to explore new market and set a new milestone in fire prevention and security.

With China's imminent entry into the World Trade Organization, the information technology industry in the PRC has to meet international challenges. Aside from the continued endeavor in the research and development, the Company will seek cooperation with strategic partners and investors. The Sino-German joint venture contract to be executed in Shanghai by the Company for design, production and distribution of network security products and provision of maintenance and after-sales services in the second quarter of 2001 set an encouraging pace for the efforts. The estimated investment amount to be contributed by the Company is approximately RMB6 million. The management will continue to pursue new opportunities in order to increase profits and returns for the Company.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives as stated in the Prospectus up to the end of 31st December, 2000	Actual business progress up to the end of 31st December, 2000
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1. Embedded Systems

1.1 Software

Conduct feasibility study and finalise research and development

Based on the analysis and study of the application of embedded systems, the Company has completed an evaluation on the instruction processing system for developing embedded software, and confirmed the developing platform of embedded software. The Company would continue to develop and improve the quality of existing products so as to cope with market requirements.

Establish a small scale experimental model of reusable embedded system software library

Because of rapid development of embedded software, more time is needed to examine and adjust the development platform. Hence, the Company has decided to defer the plan to the second quarter of 2001

1.2 Hardware

1.2.1 Embedded microprocessor

Commence core technology study and complete system logic design

The Company has engaged consistently in core technology study and completed technological research on system level low power consumption and system logic design. The Company has also conducted research on testability techniques, and proceeded research on RAM, ROM and ALU design and research on technology of digital integrated circuit.

Complete programming language conversion compiler

The Company has completed programming language conversion compiler and software modulator.

1.2.2 Hardware – ASIC

Conduct research and development of Barrel Shifter, D/A, SRAM, ALU, etc.

The Company has continued the research and development of Barrel Shifter, D/A, SRAM, ALU, etc. Certain technical issues with the design on key parts had been resolved.

II. Products Development

2.1 Security ICs

Complete circuit design of 2nd generation Security ICs and commence feasibility study on 3rd generation Security ICs

The research, development and design of Security ICs have proceeded smoothly. The Company has already completed the circuit design of the second generation Security ICs, and conducted feasibility study on third generation Security ICs in response to market requirements.

2.2 Network Security Products

Develop security tunnel technology

The Company's security tunnel technology has achieved remarkable result, which includes:

Mail filtering system: The Company has installed the system for the Public Security Department of Jiangsu Province and has made improvement and testing with respect to the technical problems encountered. The Company has also conducted function and performance testing, and reviewed relevant developing documents.

JB-FW gateway firewall: The Company has improved VPN tunnel to enhance handling efficiency, and updated algorithm library; improved operating interfaces, such as increasing configuration downloading, time modification and other functions, eliminated errors exposed in the process of applications.

The Company has adopted various methods in the research development of encryption and decryption based on Windows platform. In respect of the SJY01-A encryption card, the Company has developed drivers on platforms of Free BSD, Linux, Windows NT and conducted small batch manufacture. The products have won favorable comments from certain enterprises after installation. According to the problems raised by the customers, the Company has made some modifications in drivers and hardware to improve their functions.

Regarding line encryption equipment, the Company has completed modulation together with the German developer and realized the basic functions. With further improvements, the product is expected to pass the security inspection and put to production in the first quarter of year 2001.

For SZD02 Bank Terminal Certificate Authority, the Company has completed hardware design and driver development on Windows platform. As its performance has reached the expected requirements, the product is expected to pass the security inspection and put to production in the first quarter of year 2001.

For JB56 Encryption Card, the Company has accelerated the encryption speed and improved the driver's program.

2.3 Smart Card Application System

Research and develop smart card networking application system

The Company has launched a full-scale engagement in the research and development of existing application systems as well as design and manufacture of comprehensive products.

Improve smart card POS application system	The Company has conducted standard design on financial smart card.
Develop smart card multiple application system (e.g. access control and point of sale / cafeteria)	The Company has developed smart card network entrance system, and implement smart card network entrance system in several enterprises for trial application.
Continue research and develop smart card logistics management system	The Company has applied smart card access control system in apartment access control management and has installed the system in the guesthouses of Peking University. Concerning IC card control on device management, the Company has made further test and applications.

2.4 GPS Application System

Conduct requirement analysis for GPS application system in special types of vehicle	The Company has completed system analysis for GPS application system in special types of vehicles such as bank vehicle and has completed GSM, GPS, GIS public network construction.
Commence hardware and software design for GPS application system tailored for anti-theft, anti-movement, anti-route-diversion and time control of vehicle movement	The Company has conducted hardware and software design for GPS Application System tailored for anti-theft, positioning, dispatching, time control and other functions; established GSM, GPS and GIS dispatching systems for automobiles in Beijing; completed technical preparations for the construction of public network and system integration at Beijing frequency. The Company is likely to gain a larger market share for these products .
Conduct research and analysis on 3 rd generation GPS Application System JB-350M	With the improvement in GPS technology and the overall quality of the research and development team, the Company has conducted pre-study on third generation GPS Application System JB-350M.

2.5 WFAS

Conduct testing and internal review (2 nd generation WFAS)	The Company has conducted testing and internal review on second generation WFAS system.
Conduct feasibility study on 2 nd generation WFAS through incorporation of ASIC technology into	The Company has conducted feasibility study on 2 nd generation WFAS and proceeded to start the feasibility study on applying ASIC

existing system

technology.

Commence study of 3rd generation WFAS

The Company has commenced research on 3rd generation WFAS system and completed the design on control circuit.

Commence study for the application of WFAS in ancient buildings and large scale scenic garden

The Company has commenced the study for application of WFAS in the Summer Palace, ancient buildings and large-scale scenic gardens.

Start requirement analysis of WFAS for use in general household security

The Company has completed the analysis on using WFAS technologies in ancient buildings and prepared to further apply the system on household security. Some preliminary work has been prepared and is expected to carry out this year.

3. Production

3.1 Security ICs

Commence packaging of 1st generation ICs

The Company has completed packaging of 12,000 pieces of first generation Security ICs and testing on 1,000 pieces of Security ICs. The Company has continued the manufacture and testing of Security ICs, improved the testing system and overall quality of Security ICs, and made preparations to bid for other projects.

3.2 Network Security Products

Commence trial production of application label security control mechanism

The Company has commenced the production of application label security control mechanism such as exit certificate and electrical stamps.

Continue production of existing Network Security Products

The Company has put great emphasis on research and development of network security products, aiming for technical breakthrough and constant upgrades. The Company has produced 55 sets of JB-SG2 Network Security Gateway and 260 sets of security gateway firewall products. In view of the ever increasing market demands, the Company would continue to manufacture and develop the existing network security products so as to satisfy the needs and meet the demands of our customers.

3.3 Smart Card Application System

Commence the small-scale production of security Smart Card Application System

The Company has conducted small-scale production to cater for customers' requirements such as government authorities.

Continue production of existing Smart Card Application System

With the rapid growth in research and development of Smart Card Application System, the Company has produced 260 sets of access control system for the guest house of Peking University, 100 sets of controllers of access control machine and 200 sets of smart card system for the campus card project.

3.4 GPS Application System

Trial sampling of JB-420M products

The Company has completed trial sampling of JB-420M products.

Commence full-scale production of 1st generation GPS Application System (JB230M) products

Based on the trial sampling results, the Company has conducted development and production of first generation GPS Application System (JB230M) products.

3.5 WFAS

Commence trial production of 2nd generation of WFAS products

From the experience of the projects in the past as well as the mutual efforts of the research and development staff, the Company has trial produced ten sets of 2nd generation WFAS products.

Continue full-scale production and assembly of existing WFAS products

The Company has continued full-scale production and assembles of existing WFAS products, especially for WFAS installed in large scenic gardens and ancient buildings such as the Summer Palace, key fire protection companies and housing estates.

4. Relevant approvals and permits

In 2000, the Company was designated as one of the commercial cryptographic products manufacture companies by State Cryptography Control authorities.

4.1 Security Ics

Receive approval from State Cryptography Control authorities for 2nd generation Security ICs

SSP01 Algorithm Chip has been inspected and passed the testing by State Cryptography Control authorities for future production.

4.2 Network Security Products

SJY01-A Information Encryption Card has been inspected and approved by State Cryptography Control authorities and also accepted for using our SSP01 Algorithm Chip for further development.

Apply for sales permit for role-base authentication software e-mail filter software and VPN model from the Ministry of Public Security

No approval is required for role-base authentication software and e-mail filter software, VPN model was still under research and development.

Apply sales permit for application specific security gateway from the Ministry of Public Security

The Company has obtained sales permit from the Ministry of Public Security for specific network security gateway.

4.3 Smart Card Application System

Apply to the Ministry of Public Security and National Bureau of Metrology for the qualification upgrade in security engineering from Grade 2 to Grade 1

Currently, no approval or permit is required for existing application system projects. Relevant applications will be submitted according to requirements from business development.

Apply to the Ministry of Construction of the PRC for approval of intelligence building and system integration

Currently, no approval or permit is required for existing smart card application system products. Relevant applications will be submitted according to requirements from business development.

4.4 GPS Application System

Obtain approval from the Ministry of Information Industry Wireless Management Authority for 2nd generation GPS Application System (JB420M)

The Company has obtained 223-235M trial frequencies from the Ministry of Information Industry Wireless Management Authority for its second generation GPS Application system.

4.5 WFAS

Obtain approval from Shenyang Fire Protection E-Product Intendance Proof-test Center and Nation Fire Protection Quality Intendance Proof-test Center for 2nd generation WFAS

The Company has submitted its second-generation WFAS products and relevant materials to Shenyang Fire Protection E-Product Intendance Proof-test Centre and Nation Fire Protection Quality Intendance Proof-test Centre for proof-test and acceptance.

5. Marketing activities

5.1 Open representative offices and after sales service center in Shanghai

The Company has obtained approval from Ministry of Foreign Economics and Trade for

the establishment of Shanghai branch office, and has actively prepared for its establishment.

5.2 Enter into agreement with regional sales agents

The Company has already concluded agreements with 34 regional sales agents and engaged in widening sales channels of the Company's products. The Company is now in the process of setting up distribution agents in Xinjiang and Lanzhou.

5.3 Participate in professional exhibitions in Beijing, Shandong, Shanghai, Guangzhou and China High-tech Production Fair in Shenzhen

The Company has attended a number of conferences related to information technology industry according to the industry condition, including:

- (1) Network Information Security Working Conference jointly sponsored by Nanjing Public Security Department and Security Bureau;
- (2) China Petroleum Industry Information Computerization Working Conference held in Lanzhou;
- (3) Network Information Security Discussion organized by the Secretary Bureau of the State Council in Yunnan;
- (4) Network Information Security High-level Discussion hosted by the Information Industry Ministry in Beijing;
- (5) World Computer Conference sponsored by China Computer Society, Banking and Financial Electronic Modernization Forum in Beijing hosted by the People's Bank of China;
- (6) System Security Working Conference hosted by Hunan Security Bureau;
- (7) Senior Government Officials Information Security Discussion held in Beijing;
- (8) National Gold Shield Project Exhibition in Beijing; and
- (9) Commercial Encryption Products Exhibition sponsored by State Cryptography Control authorities.

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| 5.4 | Conduct seminars and trade shows in Shanghai, Guangzhou and Shenzhen for product promotion | <p>The Company has engaged in different kinds of forums and exhibitions concerning the information industry according to the market conditions, including:</p> <ol style="list-style-type: none"> (1) China High-tech Production Fair in Shenzhen for promotion and marketing of our network security products, encryption products and other new products; (2) Second China International Computer Information System Security Exhibition; (3) 2000 International Social Public Security Products and police apparatus Exhibition; and (4) An anti-hacker specific network security technology appraisal meeting held in Chongqing for an invention patent certificate by State Intellectual Property Bureau. |
| 5.5 | Formed strategic alliances with government bodies to market the Company's products | <p>The Company has organized national agents working conference in Beijing, held products presentations together with relevant authorities of Public Security Ministry in nine provinces in order to widen our sales channels.</p> |
| 5.6 | Establish after sales service center in Beijing | <p>The Company has established after-sale service center in Beijing and tried to make improvements and perfection on the products according to customers' feedback.</p> |

USE OF PROCEEDS

The proceeds from the issue of new shares for the listing on the GEM of the Stock Exchange, after deduction of related expenses, amounted to approximately RMB277.7 million. Included in the above net proceeds, approximately RMB38 million was planned to provide additional working capital of the Group. The remaining net proceeds of approximately RMB239.7 million was planned and applied to achieve the business objectives as set out in the Prospectus, of which an amount of approximately RMB37.7 million was to be applied for the period from 27th July, 2000 (date of listing on the GEM) to 31st December, 2000 as follows:

	Original plan up to 31st December, 2000 RMB'000	Amount utilised up to 31st December, 2000 RMB'000
Research and development of embedded technology and related application products (Note a)	17,700	7,000
Setting up a research and development centre in Shenzhen (Note b)	10,000	Nil
Marketing and promotion activities	2,000	1,700
Setting up representative offices in Shanghai in the PRC (Note c)	5,000	Nil
Recruitment of additional staff to the Company and general staff for the representative offices to be established in Shanghai in the PRC	3,000	1,200

Notes :

- (a) During the year, the Company has adjusted its plan for spending on capital expenditure on embedded technology due to the rapid development of embedded technology. The Company will acquire the equipment for research and development on embedded technology in accordance with the industry condition in year 2001.
- (b) As at 31st December, 2001, the Company was in the process of applying for a piece of land located at High & New Technology Industry Park, Shenzhen, for construction of a research and development centre. No material cost had been incurred in respect of the application procedure. The Company plans to commence the construction of Shenzhen research and development centre in the second half of year 2001.
- (c) As at 31st December, 2001, the Company has obtained the approval for establishment of the Shanghai Branch Office. The Company was in the process of registering the branch office in Shanghai. No material cost had been incurred in respect of the registration procedure. The Company plans to commence the establishment of Shanghai branch office in the second quarter of year 2001.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31st December, 2000, except for those shares held through Heng Huat Investments Limited ("Heng Huat") as set out below, none of the Directors and the supervisors of the Company (the "Supervisors") or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations, if any, pursuant to section 29 of the SDI Ordinance.

Heng Huat

Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue, all executive Directors of the Company, are trustees holding 60, 20 and 20 shares out of 100 shares in the issued share capital of Heng Huat. Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue are also directors

of Heng Huat.

By a Declaration of Trust made as a deed on 19th July 2000, Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue declared that they held the shares of Heng Huat as trustees for the benefits of 477 employees of the Jade Bird Group and the Company. Heng Huat and Gameraian Limited are the two shareholders beneficially entitled to approximately 93.37% and approximately 6.63% respectively in the issued share capital of Dynamic Win Assets Limited ("Dynamic Win").

The beneficial interests of the Directors and Supervisors in the share capital of the Company are deemed as follows:

<u>Director/Supervisor</u>	<u>Type of interests</u>	<u>Number of Shares</u>	<u>Percentage of deemed beneficial interest in the Company's share capital</u>
Mr. Xu Zhen Dong	Other	76,874,140	7.97%
Mr. Zhang Wan Zhang	Other	21,732,240	2.25%
Ms. Liu Yue	Other	21,732,240	2.25%
Mr. Xu Zhi Xiang	Other	8,086,500	0.84%
Mr. Chen Zhong	Other	8,086,500	0.84%
Prof. Yang Fu Qing	Other	12,129,750	1.26%
Prof. Wang Yang Yuan	Other	12,129,750	1.26%
Mr. Zhang Yong Li*	Other	4,043,250	0.42%
Mr. Li Chun*	Other	336,680	0.03%
Mr. Fan Yi Min*	Other	151,600	0.02%

* *Supervisors*

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the year ended 31st December 2000, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31st December 2000, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the only persons directly or indirectly entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of the Company, or otherwise interested in 10% or more of the issued share capital of the Company were as follows:

<u>Shareholder</u>	<u>Number of Promoters' Shares</u>	<u>Approximate effective interests in the Company</u>
Peking University (Note 1)	221,345,350	22.96%
Beijing Beida Jade Bird Software System Company ("Jade Bird Software") (Note 2)	136,345,350	14.14%

Dynamic Win (Note 3)	220,000,000	22.82%
Heng Huat (Note 3)	205,414,000	21.31%

Notes :

(1) Peking University, through Jade Bird Software, Jade Bird, Yu Huan and Beijing Tianqiao, has effective interests in the Company comprising :

- (a) 85,000,000 shares (representing approximately 8.82% of the Company's issued share capital) held by Yu Huan, which is beneficially wholly-owned by Peking University;
- (b) 110,000,000 shares (representing approximately 11.41% of the Company's issued share capital) held by Jade Bird Software, which is beneficially wholly-owned by Peking University;
- (c) 18,400,000 shares (representing approximately 1.91% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Peking University;
- (d) 7,945,350 shares (representing approximately 0.82% of the Company's issued share capital) held through Beijing Tianqiao, which is approximately 10.60% owned by Peking University.

(2) The interests of Jade Bird Software comprises :

- (a) 110,000,000 shares (representing approximately 11.41% of the Company's issued share capital) held by Jade Bird Software;
- (b) 18,400,000 shares (representing approximately 1.91% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Jade Bird Software;
- (c) 7,945,350 shares (representing approximately 0.82% of the Company's issued share capital) held through Beijing Tianqiao, which is approximately 10.60% owned by Jade Bird Software.

(3) Dynamic Win is a limited liability company incorporated in Hong Kong under the Companies Ordinance, the shareholding of which is held as to approximately 6.63% by Gamerian Limited and approximately 93.37% by Heng Huat. Gamerian Limited is a wholly owned subsidiary of New World CyberBase Limited, which is a company whose shares are listed on the Main Board of the Stock Exchange. Heng Huat is a company incorporated in the British Virgin Islands, the entire issued share capital of which is held by three of the executive directors of the Company as trustees for the benefits of the qualified employees of the Jade Bird Group and the Company.

SPONSOR'S INTEREST

As at 31st December, 2000, New World CyberBase Limited, an associate of the Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), held 70,000,000 Promoters' Shares of the Company. In addition, New World CyberBase Limited through its another wholly owned subsidiary, Gamerian Limited, held a 6.63% shareholding in Heng Huat which in turn held 220,000,000 Promoters' Shares of the Company.

Save as disclosed above, Tai Fook (including its directors and employees) and its associates, do not have any interest in the Company as at 31st December, 2000

Pursuant to the Sponsor's agreement dated 19th July 2000 between the Company and Tai Fook, Tai Fook received a fee for acting as the Company's retained sponsor for the period from 27th July 2000 to 31st December 2002.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associate (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Company.

AUDIT COMMITTEE

The Company established an audit committee on 5th July 2000 with terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Company. The Audit Committee has two members namely, the two independent non-executive Directors, Ms. Liu Yong Ping and Prof. Nan Xiang Hao.

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

For the year ended 31st December, 2000, the Company did not purchase, sell or redeem any of the Company's H shares.

By order of the Board
Xu Zhen Dong
Chairman

28th March, 2001, Beijing, the PRC

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the date of its posting.