

BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LTD :
A COMPANY FOR MOTHERLAND LOVERS, ONLY

It appears to TARGET that the flotation of Beijing Beida Jade Bird Universal Sci-Tech Company Ltd (Code: 8095) is a clever way for Peking University to get a bursary of about \$HK234 million.

Which is fair enough -- if Peking University had, straight out, stated it in that manner.

But it did not: It obfuscated *'The Chair of Applied Internet Science and Software Development at Peking University'* under the guise of floating off a company on The Stock Exchange of Hongkong Ltd.

Beijing Beida Placed a total of 24 million shares of Par Value of about 94 cents per share (renminbi (RMB) 1) at a Premium of about \$HK10.06 per share with certain investors, and sought a listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

This Company, which claims to be *'one of the leading software developers and integrated circuit designers in the PRC (the People's Republic of China) with expertise in developing software application and designing integrated circuits for embedded systems'* wants to lay its hands on this chunk of money for the following purposes:

1. To research and development -- \$HK96 million;
2. To establishing a centre for research and development in Shenzhen, the PRC -- \$HK70 million;
3. To marketing and promotional activities and conducting seminars -- \$HK30 million;
4. To the establishment of new offices in Shanghai, Dalian and Chengdu, the PRC -- \$HK10 million;
5. To the costs of recruitment of new staff to man the Shanghai, Dalian and Chengdu offices -- \$HK16 million; and,
6. To boost the Working Capital Account -- \$HK12 million.

For the past 2 Financial Years, this Company has lost about \$HK8.77 million.

The following Trading Record is taken from the Company's Prospectus:

	Financial Year ended December 31	
	1998	1999
	(All Figures are Denominated in RMB) #	
Revenues	3,029,002	10,419,234
Cost of Revenues	(2,958,731)	(7,153,681)
Gross Margin	70,271	3,265,553
Subsidy Income *	237,999	Nil
Operating Expenses:		
Research and Development	(3,720,861)	(4,717,902)
Selling and Marketing	Nil	(186,539)
General and Administrative	(1,555,100)	(2,741,268)
TOTAL	(5,275,961)	(7,645,709)
Loss from Operations	(4,967,691)	(4,380,156)
Other Income/(Loss), Net	160,345	(106,087)
Net Loss	(4,807,346)	(4,486,243)

Translation of RMB to Hongkong dollars is \$HK1=RMB1.06.

* The subsidy income was granted by the PRC Government for the development of Application Specific Integrated Circuit (ACIS) technology and was non-recurring.

For the first 4 months of the 2000 Year, to April 30, the Company enjoyed a loss of about RMB2.47 million.

With the cooperation of Peking University, which is assured, according to the Prospectus of the Company, Management of Beijing Beida feels that it can compete, effectively, against all comers.

Naturally!

While it may be a little confusing for most people to try to unravel the Principal Shareholders of this Company, with companies enmeshed with companies, the bottom line is that the PRC Government is backing, indirectly, this flotation.

For the past 2 Financial Years, the Company's 5 largest customers accounted, in aggregate, 93.10 percent and 69.10 percent of the Company's Total Turnover.

It is noted that the PRC Government commissioned some of the products, designed and engineered by Beijing Beida, of late.

In view of the above 2 paragraphs, it would be fair to say that the Company faces no material competition from the private sector of the PRC.

The Prospectus makes this point, only too clearly.

No matter what may be the official, legal ownership of the shares of this Company, it would be equally fair to say that it is completely controlled by the PRC Government.

This being the case, the question is whether or not the Directors of the Company will be '*guided*' by the requirements of the PRC State, rather than their duty of fidelity to the minority shareholders of the Company.

The Prospectus makes no mention of any future profits or any future dividends.

It appears to TARGET that Beijing Beida is unlikely to earn any material profits in the next decade and, that being the case, it is unlikely to be able to declare a dividend, unless, of course, the PRC Government grants it a smashing subsidy, for one reason or another.

The reason that TARGET maintains that there is unlikely to be any material profits in the next decade is evidenced, to some extent, by the entry at Page 90 of the Prospectus.

It states that, as at '*The Latest Practical Date*' -- presumably a month or so ago -- Beijing Beida was employing some 139 workers, of which figure, 71 workers were involved in research and development and another 31 workers were involved in technical support.

Page 104 of the Prospectus makes the statement, under the heading, **Development of Human Resources:** '*The Directors intend to substantially increase the total number of employees of the Company in particular in the departments ...* [CLICK TO ORDER FULL ARTICLE](#)

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