



**青鸟环宇**  
JADE BIRD UNIVERSAL

北京北大青鸟环宇科技股份有限公司  
Beijing Beida Jade Bird Universal Sci-Tech Company Limited

## **FIRST QUARTERLY RESULTS REPORT**

FOR THE PERIOD

ENDED 31 MARCH 2001



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE PERIOD ENDED 31 MARCH 2001

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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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**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
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**HIGHLIGHTS**

- Achieved a turnover of RMB13,512,000, representing an increase of 22 times in turnover as compared to the corresponding period last year
- Accomplished a net profit of RMB2,404,000
- Earnings per share is RMB0.25 cents
- Network security gateway firewall JB-FW1 V2.0, network information monitor system JB-Search V2.1 and security gateway JB-SG2 V2.0 were awarded "Year 2000 Outstanding Domestic Software" by China Software Industry Society
- Established sales offices and three distribution agents in Guangzhou and Shenzhen in Guangdong Province and Hainan Province
- Concluded agreements with eight agents in Chengdu and Chongqing in Sichuan Province and Yunnan province
- Formed strategic alliances with Jiangsu Cryptography Control Bureau, Gansu Cryptography Control Bureau, Hebei Public Security Unit, Heilongjiang Public Security Unit and Xinjiang Public Security Unit

## FIRST QUARTERLY RESULTS

The board of Directors (the "Board") of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "Company") and its subsidiary (the "Group") is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2001 together with the unaudited comparative figures for the corresponding period in 2000 are as follows:

	Note	For the three months ended	
		31 March 2001	31 March 2000
		RMB'000	RMB'000
Turnover	2	13,512	581
Operating expenses:			
Material and equipment		(7,864)	(751)
Employment costs		(3,547)	(1,055)
Depreciation of fixed assets		(978)	(443)
Other operating expenses		(2,446)	(310)
Loss from operations		(1,323)	(1,978)
Interest income		3,727	-
Profit (Loss) before taxation		2,404	(1,978)
Taxation	3	-	-
Profit (Loss) attributable to shareholders		<u>2,404</u>	<u>(1,978)</u>
Earnings (Loss) per share-basic (RMB cents)	4	<u>0.25</u>	<u>(0.28)</u>

### 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 29 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 27 July, 2000.

On 17 April 2000, the Company has completed a reorganisation as set out in the Company's Prospectus dated 20 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 1 January 2000 and the business activities had been conducted by the Company since 1 January 2000, rather than from the date on which the Reorganisation was completed.

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:

	For the three months ended	
	31 March 2001	31 March 2000
	RMB'000	RMB'000
Sales of embedded systems and related products	12,847	18
Total solution contracts	<u>665</u>	<u>563</u>
Total turnover	<u>13,512</u>	<u>581</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 three months ended 31 March 2001 was based on the profit attributable to shareholders of approximately RMB2,404,000 (2000 – loss of approximately RMB1,978,000) and on the weighted average number of 964,000,000 shares (2000 – 700,000,000 shares adjusted for the effect of the subdivision of shares made by the Company in December 2000) in issue during the period, according to the basis of presentation described in Note 1.

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

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (2000 – Nil)

## BUSINESS REVIEW

### Introduction

The Company has achieved a stable and sustained operating results for the first quarter of year 2001. For the three months ended 31 March 2001, the Company has accomplished a revenue of RMB13,512,000 and a net profit of RMB2,404,000. This represented a growth of 22 times in revenue as compared to the same period in the previous year.

Despite the global market downturn of information technology industry, the Company has leveraged its proprietary technology and efforts of the staff to maintain a remarkable growth in product development and sales. Through acquiring government licenses and cooperation with strategic partners, the Company further enhanced the market competitiveness and profitability. Together with increased marketing activities and improvement in management and working efficiency, the financial conditions of the Company improved favorably.

#### 1. *Embedded System*

The Company has completed the design and simulation of EEPROM model, and has proceeded to the circuit design of embedded EEPROM module.

In addition, the Company has completed the development of high-level design methodology based on VHDL and has passed the technical review. The Company has also completed the layout design of 8-bit microprocessor, and has proceeded to conduct the FPGA function verification before fabrication.

For application specific integrated circuits ("ASIC"), the Company has conducted research on mixed signal integrated circuit design technology such as timer circuit and frequency display circuit.

#### 2. *Product Development*

##### Security ICs

The Company has commenced the design and development of 3<sup>rd</sup> generation Security ICs jointly with Jiangnan Computer Technology Institute. The future production of 128-bit module encryption algorithm, which has been approved by relevant government authorities, will apply the 0.35 $\mu$ m CMOS technology of embedded EEPROM. Currently, the Company has completed the logic design and has proceeded to the preparation work for layout and foundry.

## Network Security Products

The Company has upgraded the network security gateway firewall products into V2.0 edition and improved its original functions and planned to upgrade the core level so as to adding more functions. The Company has developed a steady market for edition V1.0 access control gateway products and is undergoing the development for edition V2.0. In addition, the Company has developed edition V1.0 of VPN encryption gateway products for providing total security solutions of “gateway-to-gateway” and “gateway-to-Win98” encryption terminal and has been conducting testing for user. The Company has also conducted research and development on network attack and defense application system.

The Company has developed SJY01-A encryption card, SZD 02 encryption card and SJY04 encryption card. SJY01-A encryption card has integrated our proprietary SSP01 encryption algorithm chip with PCI encryption card which was encrypted in RSA algorithm. The application of SZD02 bank terminal certificate for authentication of information in banks was used with the SSX03 algorithm chip developed by the Company. The SJY04 encryption card integrated the PCMCIA with SSP01 algorithm chip and PCI encryption card was designed for mobile products such as notebook computer and for hardware encryption products for VPN producers. Currently, the above-mentioned products are all under small batch trial production.

## Smart Card Application System

In view of the rapid development of logistics management, the Company has developed electrical counter label products based on customer demands and market research and application of contactless electrical counter label for inventory categorization and index. The Company has also commenced the development and examination of property management software for meeting the demand for community property management in real estate industry.

## GPS Application System

The Company has enhanced the efforts in market survey for understanding the demand for JB-350M GPS products, and has defined the development direction and function accordingly. The Company has now proceeded to conduct market survey on JB-420M GPS products. The Company has also completed the development on taxi dispatching system and has commenced the marketing activities.

Based on the existing GPS, GIS and GSM public network systems, the Company conducted research and development on specific GPS products in trucks, coach buses and materials supplying fleets.

## Wireless Fire Alarm System (“WFAS”)

The Company has completed the development project on fire fighting communication and command system in Haikou. The Company has started to develop the design of regional wireless fire alarm system and has completed the design principle and the hardware circuits.

Furthermore, the Company has conducted examination on the transmitter and receiver of 3rd generation WFAS.

### 3. *Production*

#### Security ICs

The Company has completed the trial production of 2<sup>nd</sup> generation Security ICs (GK96) and has commenced the negotiation with fabrication manufactures for batch production.

#### Network Security System

The Company has produced 30 sets of network security gateway firewalls during the quarter.

The Company has conducted the application examination on Jade Bird gateway VPN machine, Jade Bird gateway encryption user terminal, SJY01-A encryption card, SZD02 bank terminal certificate card and SJY04 encryption card for pre-production purpose.

#### Smart Card Application System

In February this year, the Company has commenced the research and development of container warehouse storage electrical label automatic search system. The Company has produced 100 sets of smart card consumption machines and smart card locks for application in school campus.

#### GPS Application System

The Company has conducted modulation on the analogy application system of the 1<sup>st</sup> generation GPS application system (JB230M). The Company has completed the purchases of materials for the 1<sup>st</sup> generation GPS application system (JB230M) products and commenced production.

#### WFAS

The Company has commenced the production of the 2<sup>nd</sup> generation WFAS, and continued the full-scale production and installation of existing WFAS products.

### 4. *Relevant Approvals and Permits*

The Company's network security gateway firewall JB-FW1 V2.0, network information monitor system JB-Search V2.1 and security gateway JB-SG2 V2.0 have been awarded "Year 2000 Outstanding Domestic Software" by China Software Industry Society.

The Company and Jiangnan Computer Technology Institute has been jointly developing the 3<sup>rd</sup> generation security ICs. Once the design and examination of the 3<sup>rd</sup> generation security ICs is completed, the Company will follow the procedures for applying approval from relevant government authorities.



The Company has prepared the documentation for applying the approval on SJY01-A encryption card, SZD02 encryption card and SJY04 encryption card from China State Cryptography Control Authority Office for future development.

## 5. *Marketing Activities*

The Company has established sales offices and three distribution agents in Guangzhou and Shenzhen in Guangdong Province and Hainan Province. The Company has also concluded agreements with eight agents in Chengdu and Chongqing in Sichuan Province and Yunnan province.

During the quarter, the Company has attended a number of conferences in relation to information technology industry which provided the Company the opportunities for technological advancement and also direct contacts with potential customers. These included the China Electrical Commerce Exhibition held in Beijing, and the user discussion meeting held in Gansu Province, Shenzhen, and Chengdu.

The Company has formed strategic alliances with Jiangshu Cryptography Control Bureau, Gansu Cryptography Control Bureau, Hebei Public Security Unit, Heilongjiang Public Security Unit and Xinjiang Public Security Unit. The product brochure was published in the Company's website. The Company has also advertised Jade Bird security gateway firewall products on a well-known magazine "Computer World" in the PRC for 40 weeks so as to enhance the brandname awareness of our products.

## Future Prospects

During the quarter, the Company has achieved a substantial growth as compared to the corresponding period in the previous year. The Company will continue to contribute resources in product research and development, and actively explore the international and domestic markets so as to achieve a better development in technology and business growth in the future.

With the increasing awareness of the development of information technology industry, "network" has become an essential factor for economic and social development in a country. Information technology industry, especially the Internet, is regarded as "a new impetus for China's reform". Thus, the Company expects that there would be an increasing demand for network security related products. The Company commits to contribute more resources in the research and development and upgrading of related products so as to cope with the development and demand of the industry and get a better return.

The Company also seeks cooperation with other high technology companies in the industry domestically and at overseas and forms strategic alliance. In May this year, the Company entered into a joint venture agreement to establish a Sino-German joint venture in Shanghai for design and manufacture of network security equipment. The production is expected to commence in the second half of this year and hence contribute considerable revenue to the Company.

The Company's key development project in relation to WFAS, Hainan Haikou Fire Fighting Communication and Command System, has been smoothly operating. The establishment of "119 Fire Fighting Communication and Command System" has been completed in this April and put into application. In relation to urban fire automatic alarm and monitor system, the Company aims to expand the user group and establish monitoring network. The Company expects that this project will increase the awareness of our WFAS products in the market and contribute revenue to the Company in the next quarter.

In May this year, the Company has attended the China Beijing International High-Tech Industries Week (Four Session) & China Beijing International Sci-Tech Fair and Venture Investment Workshop & Conference in May this year. Companies from Zhongguancun New & High Technology Zone and other well-known companies in the country will exhibit their flagship products and recent research and development achievements. This will be a good opportunity for the Company to share information and experience with other peer companies in the industry. On the other hand, the Company will continue to promote our brand products, attract more clients and better understand the market trend.

With our proprietary technologies and strong capital position, the Company will strive for further business growth in spite of the fierce competition in the market. The Company will strengthen the cooperation with domestic and foreign companies so as to achieve further advancement of the new and high technology industry in the PRC.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 March 2001, 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 19 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 Gamerian 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:

Director/Supervisor	Type of interests	Number of Shares	Percentage of deemed beneficial interest in the Company's share capital
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 three months ended 31 March 2001, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31 March 2001, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

#### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, 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:

Shareholder	Number of Promoters' Shares	Approximate effective interests in the Company
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 Gameran Limited and approximately 93.37% by Heng Huat. Gameran 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 31 March 2001, 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, Gameran 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 31 March 2001.

Pursuant to the Sponsor's agreement dated 19 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 27 July 2000 to 31 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 5 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 period ended 31 March 2001, the Company did not purchase, sell or redeem any of the Company's H shares.

By order of the Board  
**Xu Zhen Dong**  
Chairman

15 May 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.*