

FIRST QUARTERLY RESULTS REPORT
FOR THE PERIOD ENDED 31 MARCH 2002



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



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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)

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This report, 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 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.



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Highlights

- Achieved a turnover of RMB27,733,000, representing an increase of 105% in turnover as compared to the corresponding period last year
- Accomplished a net profit of RMB4,469,000, representing an increase of 86% in net profit as compared to the corresponding period last year
- Earnings per share is RMB0.46 cents
- Acquired 51% equity interest of Beijing Jade Bird Haodi Electric System Company Limited which is engaged in the development and manufacture of remote automatic meter-reading systems
- Two of the ASIC products, namely information security specific circuit and digital information encryption and decryption circuit, were granted Semiconductor Product Certificate by Beijing Economics Commission
- Contracted ten sales agents in Xinjiang Autonomous Region, Zhejiang, Jilin, Sichuan, Fujian and other provinces etc.

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “Company”) and its subsidiaries (the “Group”) is pleased to announce the unaudited consolidated operating results of the Group for the three months ended 31 March 2002 together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

	Note	For the three months ended	
		31 March 2002	31 March 2001
		RMB'000	RMB'000
Turnover	2	27,733	13,512
Operating expenses:			
Material and equipment		(9,913)	(7,864)
Employment costs		(3,801)	(3,547)
Depreciation of fixed assets		(911)	(978)
Amortisation of goodwill		(1,165)	–
Other operating expenses		(2,341)	(2,446)
Profit (Loss) from operations		9,602	(1,323)
Interest income		1,065	3,727
Interest expense		(6,283)	–
Profit before taxation and minority interest		4,384	2,404
Taxation	3	–	–
Profit before minority interest		4,384	2,404
Minority interest		85	–
Profit attributable to shareholders		4,469	2,404
Retained earnings, beginning of period		41,164	14,152
Retained earnings, end of period		45,633	16,556
Earnings per share – basic (RMB cents)	4	0.46	0.25

1. Organization, principal activities 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 H 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.

The Group is principally engaged in the research, development, production, marketing and sales of embedded systems and computer products, including Global Positioning System application systems, network security products, wireless fire alarm systems, application specific integrated circuits and smart card application systems, and related products. The Group is also engaged in the provision of total solution services through application of its existing embedded system products.

The principal accounting policies adopted by the Group 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

Analysis of turnover is as follows:

	For the three months ended	
	31 March 2002	31 March 2001
	RMB'000	RMB'000
Sales of embedded systems and related products	7,691	5,102
Sales of computer products	8,643	7,745
Provision of total solution services	11,399	665
	<hr/>	<hr/>
Total turnover	27,733	13,512
	<hr/>	<hr/>

3. Taxation

(a) Enterprise income tax ("EIT")

The Company, being located in the Beijing New Technology Development Experimental Area and registered as a New and High Technology Enterprise, is subject to the PRC EIT at a rate of 15%. It is exempted from EIT for three years starting from the year ended 31 December 2000, its first operating year, followed by a 50% reduction of EIT from the fourth to the sixth year.

Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited, a 75% owned subsidiary established in Zhuo Lu, Hebei Province, the PRC and registered as a manufacturing enterprise, is subject to the PRC EIT at a rate of 33%. It is exempted from EIT for the first four years starting from its commencement of operations during the year ended 31 December 2001, followed by a 50% reduction of EIT from the fifth to eighth year.

Beijing Jade Bird Haodi Electric System Company Limited, a 51% owned subsidiary and established in the Beijing New Technology Development Experimental Area and registered as a New and High Technology Enterprise, is subject to the PRC EIT at a rate of 15%. It is exempted from EIT for three years starting from the year ended 31 December 1998, its year of incorporation, followed by a 50% reduction of EIT from the fourth to the sixth year.

No provision for Hong Kong profits tax was made as the Group had no profits subject to Hong Kong profits tax.

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

The Group 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 Group's purchases can be used to offset VAT on the sales amount to arrive at the net VAT payable. In addition, the Group is entitled to refund of actual VAT paid exceeding 3% of the sales amount of certain approved software products.

(c) Business tax ("BT")

The Group is subject to BT in the PRC on the total solution services in the PRC at a rate of 5% on the related revenue.

4. Earnings per share

The calculation of earnings per share for the three months ended 31 March 2002 was based on the profit attributable to shareholders of approximately RMB4,469,000 (2001 – RMB2,404,000) and on the weighted average number of 964,000,000 shares in issue during the period.

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. (2001 – Nil)

BUSINESS REVIEW

Introduction

The Company has achieved a stable and sustained operating results for the first quarter of this financial year. For the three months ended 31 March 2002, the Company has accomplished a revenue of RMB27,733,000 and a net profit of RMB4,469,000. This represented an increase of 105% in revenue and 86% in net profit as compared to the corresponding period last year.

For the period ended 31 March 2002, approximately 28%, 31% and 41% of the revenue were derived from the sales of embedded system products and related products, sales of computer products and the provision of total solution services respectively.

1. *Embedded System*

Software

The Company has completed the development on compiling software of the embedded microprocessor. Performance of the software is to be further tested and improved.

Hardware – Embedded Microprocessor

The Company has adopted the proprietary 32-bit processing core in the design of chip encryptor. Such chip is under development.

To facilitate various embedded applications, the Company has added IP core in its proprietary embedded microprocessor. With wishbone as the SoC bus, the interfaces of the standard IP library are integrated to the main line and make the system more user-friendly. Development on this product is to be completed in the second quarter.

The Company has conducted research on the realization of RSA encryption algorithm in ASIC products and has designed the algorithmic IP core. The chip has EEPROM, RAM and other I/O Buses, and can be integrated into the microprocessor core in the chip encryptor.

Hardware – ASIC

The Company has endeavored to add new units/modules to the library and to improve existing units/modules. Apart from the above-mentioned RSA encryption algorithm IP cores, the Company has also integrated to the library SCI interface module and encryption specific algorithm module, which enhances the research and development of the embedded systems in future.

2. *Product Development*

GPS Application System

The Company has commenced the design on the software of 3rd generation GPS application systems, and has developed the central platform software of the public/specific network auto dispatch and monitor system. The Company has also tested and improved the GPS logistics auto dispatch and monitor system based on WEB GIS technology. For JB-350M GPS application system, the Company has carried out debug on each sub-system and also conducted several debug on the whole system.

The Company has tested and improved the JB-350M GPS navigation product and conducted the technological preparations for scaled production.

Network Security Products

The Company has actively carried out the development on specific network security products and enhanced the product performance according to the needs of customers.

JB-FW gateway firewall: The Company has completed the development on V3.0 firewall products. The newly developed gateway is based on a reliable and stable core and with multi-functions such as state inspection, transparent proxy, remote management, hot back-up and attack protection. The product is under reliability and stability testing.

High-speed encryptor: Debug on the encryption card has been basically concluded. The RSA algorithm has been partly realized but further improvement is required. Compilation of the low-level control software has been continued. The Company has also completed the Ipsec revision, development of customer's end and key management center. Currently, chip integration testing has been commenced.

Technological documents of SJY01-A/SJY01-B have been prepared and submitted to China State Cryptography Control Authority Office ("CSCCAO"). Based on customers' requirements, the Company has upgraded certain functions of SJY01-B PCI data encryption card, and has applied it for pilot application in several programs.

Wireless Fire Alarm System ("WFAS")

The Company has developed the 1st generation forest fire alarm system and applied the system in Xiaoxing Anling Region. Research and development of the 2nd generation forest fire alarm system has been launched.

Development on Zhongnanhai WFAS network has been classified into the application GIS, application wireless distribution network, application GPS transmission technology and application diagram display system.

ASIC Products

The Company has undertaken the technological preparations for the design and development of smart card chips. As the market for the relevant products is uncertain, feasibility study on smart card chips would be further enhanced.

Smart Card Application System

The Company has conducted research and development on the application of IC cards in corporate and campus security management.

3. *Production*

GPS Application System

The Company has conducted trial production of the vehicle box of JB-350M GPS application system.

The Company has also produced about one thousand sets of vehicle boxes of JB-230M and JB-420M satellite monitor and dispatch systems.

Network Security Products

The Company has produced twenty-four sets of firewall and gateway products and thirteen sets have been sold.

WFAS

The Company has commenced the trial production of the 3rd generation WFAS products. Based on the existing fire alarm technologies, the Company has conducted development on LCD (liquid crystal display) of the fire alarm system. The Company has also conducted strategy examination of the remote service system in the fire alarm system which included software development, linkage download and error analysis of the remote service system in the fire alarm system.

ASIC Products

The Company has completed the fabrication of the 3rd generation security ICs and conducted preparation for testing. Both testing and packaging are expected to complete in the next quarter.

Smart Card Application System

The Company has applied security smart card application systems according to the requirements of enterprises, living districts and hotels. The Company has also continued production and application of the existing smart card application systems in the projects of Zhengda Convention Center of Peking University, China Food Bureau, China Statistics Bureau and other tasks.

According to the safety production management requirement of enterprises, the Company has commenced the entry and exit control project.

4. *Relevant Approvals and Permits*

GPS Application System

The existing research and development of GPS application system products does not require any approval or permit from relevant authorities.

Network Security Products

The Company is now applying for “First Class Information System Security Service Certificate” from China National Information Security Testing Evaluation and Certification Center (CNISTEC). Relevant procedures are being carried out.

Technological documents of SJY01-B PCI Data Encryption Chip have been prepared and submitted to CSCCAO for appraisal.

The project of SIK01 Secret Key Management Center has also been submitted to CSCCAO for security review.

WFAS

The Company is preparing and planning to submit the technological materials and standards of the 3rd generation WFAS products to Shenyang Fire Protection E-Product Intendance Proof-test Centre and Nation Fire Protection Quality Intendance Proof-test Centre for proof test and acceptance.

ASIC Products

The existing research and development of the 3rd generation Security ICs does not require any approval or permit from relevant authorities.

The Company has been granted certificate for semiconductor design by Beijing Economics Commission. Two of the Company's ASIC products, namely information security specific circuit and digital information encryption and decryption circuit, were granted Semiconductor Product Certificate by Beijing Economics Commission.

Smart Card Application System

Currently, no approval or permit is required for the existing smart card application system projects. Relevant applications would be submitted according to the development progress.

5. *Marketing Activities*

The Company has actively engaged in the establishment of national sales network and has recently contracted ten sales agents in Xinjiang Autonomous Region, Zhejiang, Jilin, Sichuan, Fujian and other provinces etc.

In order to promote fire alarm devices and the related after sale services, Hebei Jade Bird Universal Fire Alarm Device Company Limited has planned to establish service center in Sichuan province, and has commenced the preparation for establishment.

The Company has contracted to advertise the fire alarm products in the magazine “Asia Fire Alarm and Security” for the coming year. The Company has also made advertisements on the fire alarm products in the second issue of year 2002 of “Fire Alarm Technologies and Products Information”.

OUTLOOK

Although the market demand for information technology products is usually lower in the first quarter, the Company has maintained a stable development in this first quarter.

For research and development, the development on security ICs and specific ICs would be further enhanced as the relevant ASIC products have been recently granted certification. Upgraded network security products and GPS application systems would also be released according to the business objectives and market trend.

For product sales and promotion, network security products would be emphasized as the number of internet users in China has continued to grow and problems like network security monitor and virus control has become increasingly crucial. The Company would implement aggressive marketing plans to improve brand name awareness of its products, and strengthen ties to government authorities and major customers.

In the first quarter, the Company has acquired 51% of the equity interest of Beijing Jade Bird Haodi Electric System Company Limited (“Jade Bird Haodi”) at a consideration of approximately RMB10 million. Jade Bird Haodi has actively conducted development and manufacture of remote automatic meter-reading systems. With a professional research and development team, Jade Bird Haodi has competitive advantage against other domestic players in terms of provision of meter-reading systems for industries including electric power, natural gas, water supply, intelligent property management and etc. For low-voltage meter-reading systems alone, Jade Bird Haodi has more than one hundred thousand customers coming from Shandong, Jiangshu, Liaoning, Inner Mongolia, Guangdong, Guizhou, Shanxi, Henan and other provinces and municipals. Jade Bird Haodi promotes its sales by a combination of distribution, sales agents and direct sale. Jade Bird Haodi offers debug and other services for its products. The Company expects that Jade Bird Haodi will have income contribution to the Company in the second quarter.

For the investment in SMIC, the Company plans to issue up to 192,800,000 new H shares. The development progress of SMIC has been on schedule. SMIC has commenced the manufacture of eight-inch wafers and forged alliance with Fujitsu Limited, Chartered Semiconductor Manufacturing and Toshiba. Since the market for computer and communications products in China is still expanding, the demand for the relevant semiconductor products would also increase. The management believes that the investment would bring considerable return to the Company. As at the date of this report, completion of the investment is conditional upon, among other things, the Company having obtained the approvals from the relevant PRC approving authorities in relation to the investment.

With China’s entry into the World Trade Organization, competition from foreign companies is challenging the old industries. The Company will adapt itself to the changing market and strive to maintain the existing market shares.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 March 2002, 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 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:

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 Zhong	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 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31 March 2002, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, 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 (<i>Note 1</i>)	221,345,350	22.96%
Beijing Beida Jade Bird Software System Company ("Jade Bird Software") (<i>Note 2</i>)	136,345,350	14.14%
Dynamic Win (<i>Note 3</i>)	220,000,000	22.82%
Heng Huat (<i>Note 3</i>)	205,414,000	21.31%

Notes:

- (1) Peking University, through Jade Bird Software, Beijing Beida Jade Bird Limited ("Jade Bird"), Beijing Beida Yu Huan Microelectronics System Engineering Company ("Yu Huan") and Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited ("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 Gameraian Limited and approximately 93.37% by Heng Huat. Gameraian 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 2002, none of the Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), its directors, employees or associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

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 for the period ended 31 March 2002.

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

For the period ended 31 March 2002, the Company did not purchase, sell or redeem any of the Company's H shares.

By order of the Board
Xu Zhen Dong
Chairman

Beijing, the PRC, 15 May 2002.