



**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 2003



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 REPORT  
FOR THE PERIOD ENDED 31 MARCH 2003**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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.*



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

**FIRST QUARTERLY RESULTS REPORT  
FOR THE PERIOD ENDED 31 MARCH 2003**

**Highlights**

- **Turnover is approximately RMB46 million, an increase of approximately 64% as compared to the corresponding period last year.**
- **Operating loss is approximately RMB3 million.**
- **Profit before interest, tax, depreciation, amortisation and minority interest is approximately RMB0.7 million, a decrease of 94% as compared to the corresponding period last year.**
- **Loss attributable to shareholders is approximately RMB5 million.**
- **Loss per share is RMB0.50 cents.**
- **Interest expense approximately is RMB4 million, a decrease or an improvement of 38% as compared to the corresponding period last year.**

## FIRST QUARTERLY RESULTS

The board of directors (the “Directors”) 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 2003 together with the unaudited comparative figures for the corresponding period in 2002 are as follows:

		<b>For the three months ended</b>	
		<b>31 March 2003</b>	<b>31 March 2002</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	45,546	27,733
Other income		315	–
Operating expenses:			
Materials and equipment		(39,935)	(9,913)
Employee costs		(4,603)	(3,801)
Depreciation of property, plant and equipment		(947)	(911)
Amortisation of goodwill and intangible assets		(1,600)	(1,165)
Other operating expenses		(1,848)	(2,423)
Total operating expenses		<u>(48,933)</u>	<u>(18,213)</u>
(LOSS) PROFIT FROM OPERATING ACTIVITIES		(3,072)	9,520
Finance income/(cost)			
Interest income		722	1,065
Interest expense		(3,903)	(6,283)
Exchange income		525	82
(Loss) Profit before taxation and minority interest		<u>(5,728)</u>	<u>4,384</u>
Taxation	3	<u>–</u>	<u>–</u>
(Loss) Profit before minority interest		(5,728)	4,384
Minority interest		<u>902</u>	<u>85</u>
(Loss) Profit attributable to shareholders		(4,826)	4,469
Retained earnings, beginning of period		<u>77,503</u>	<u>41,164</u>
Retained earnings, end of period		<u>72,677</u>	<u>45,633</u>
(Loss) Earnings per share – basic (RMB cents)	4	<u>(0.50)</u>	<u>0.46</u>

## 1. Principal Activities and Basis of Presentation

The Group is principally engaged in the research, development, production, marketing and sales of embedded systems, including network security products, wireless fire alarm systems, application specific integrated circuits, Global Positioning System application systems, smart card application systems, digital video recording systems, remote automatic meter-reading systems and related products. The Group is also engaged in the sales of computer products and 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 and Other Revenue

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered, net of sales surtaxes. All significant intra-group transactions have been eliminated on consolidation.

	<b>For the three months ended</b>	
	<b>31 March 2003</b>	<b>31 March 2002</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Sales of embedded systems and related products	14,213	7,691
Sales of computer products	31,333	8,643
Provision of total solution services	—	11,399
	<u>45,546</u>	<u>27,733</u>
Other revenue		
Rental income	315	—
	<u>315</u>	<u>—</u>

## 3. Taxation

Hong Kong profits tax is charged at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof. No profits tax or income tax has been provided for the three months ended 31 March 2003 (2002: Nil).

There was no material unprovided deferred tax for the period ended 31 March 2003 (2002: Nil).

## 4. (Loss) Earnings per share

The calculation of loss per share of RMB0.50 cents (2002: earnings per share of RMB0.46 cents) for the three months ended 31 March 2003 was based on the loss attributable to shareholders of approximately RMB4,826,000 (2002: profit attributable to shareholders of approximately RMB4,469,000) and on the weighted average number of 964,000,000 shares (2002: 964,000,000 shares) in issue.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2002: Nil).

## FINANCIAL REVIEW

### Turnover

The unaudited consolidated turnover of the Group for the three months ended 31 March 2003 amounted to RMB45,546,000, representing an increase of RMB17,813,000 or 64% as compared to the corresponding period last year.

The increase in turnover was due to the increase in sales of network security products and purchased security ICs product and sales of computer products.

For the three months period ended 31 March 2003, the turnover from the sales of embedded system products and related products and sales of computer products were approximately 31% and 69% respectively.

The first quarter is usually the slack season of the Group's business. Most of the major total solution services projects are carried out in the fourth quarter of each year. As the newly contracted projects this year were yet to commence due to the Chinese New Year holiday and the requests from customers for postponing the projects so as to avoid the possibility of committing atypical pneumonia, there was no income from the provision of total solution services during the period.

### Operating Loss

The operating loss of the Group for the three months ended 31 March 2003 amounted to RMB3,072,000.

Since there were no total solution services provided during the period and the gross margin from the sales of embedded system products and computer products were comparatively low, operating loss incurred for the first time after listing of the Group.

### Finance Cost

In January 2003, the Company had early repaid a short-term bank loan of RMB360,000,000 drawn down in year 2001 and instead, replaced by a foreign currency short term bank loan of USD47.5 million (approximately RMB393 million) with a lower interest rate to finance the investment in Semiconductor Manufacturing International Corporation. Therefore, the interest expense was decreased by RMB2,380,000 or 38% as compared to the corresponding period last year. This is a reduction in the finance cost of the Company's investing activities.

### Loss Attributable to Shareholders

The loss attributable to shareholders and loss per share of the Group for the three months ended 31 March 2003 were RMB4,826,000 and RMB0.50 cents respectively.

## BUSINESS REVIEW

### Network Security Products

The Company has completed the development of the new firewall systems based on disk on chip and hard disk which has been integrated with the bridge technology and the router technology and has commenced the stability and reliability test for production and sales. Moreover, the Company has conducted several network security projects in the first quarter such as the specialized project for People's Bank of China, Tianjin Branch.

The Company has proceeded to integrate the VPN function into the firewall system, i.e. the firewall network security grading assessment tools and the network attack and protection system integrating with the VPN function. The Company is also developing the firewall system with the mail proxy function as well as the "863" specialized project for attack and protection.

Wuhan Beida Jade Bird Netsoft Company Limited ("Jade Bird Netsoft"), a subsidiary of the Company, is developing the network management tools applied in retrieval of network management information and has completed the development in telecommunication operation support system software and network management platform system software. Jade Bird Netsoft has also completed the version upgrade of the network management platform system software for enterprise version and proceeded to the upgrade of telecommunication version.

Furthermore, Jade Bird Netsoft has manufactured the telecommunication operation support system software of TeleSureExpert 2.0 and the network management platform system software of NetSureExpert 4.0 and has completed the electronic public administration system monitoring and network management system project in Wuhan as well as the exchange centre general management platform project in Wuhan.

### Wireless Fire Alarm System

The Company has accomplished addressable display technology for bus-type fire alarm system and the "712" ICs application technology and has commenced the development of the PIC16C630 ICs application technology and planned to apply the PIC16C676 ICs technology in bus-type devices. The Company has also completed the development of pocket encoder and employed the new ICs in smoke detector.

The Company is developing the bus-type audible and visible alarm apparatus and planning to improve the ICs for bus-type devices such as heat detector.

The Company has manufactured 55,000 units of LN21000 type detectors and has completed the fire prevention project for the Haitian Celebrity Plaza in Shandong province.

### Security ICs

The Company has completed the research and development of USB interface mousedriver ICs technology and home network SOC platform.

### **GPS Application System**

The Company is developing the GPRS technology applied in GPS application system and planning to further apply the CDMAIX technology in information transmission.

### **Smart Card Application System**

The Company is developing the communication transmission and image capture technology and planning to develop the embedded Linux capture technology.

### **Remote Meter Reading System**

Beijing Jade Bird Haodi Electric System Company Limited (“Jade Bird Haodi”), a subsidiary of the Company, has completed the development of the data acquisition and supervisory system for distribution transformer based on the GSM communication mode and has continued the development of data acquisition and supervisory system for distribution transformer based on the GPRS communication mode.

Jade Bird Haodi has manufactured six units of JBHD-T01 GSM communication mode data acquisition monitor terminal and has established the data acquisition and supervisory system for distribution transformer testing point for Anshan Power Supply Bureau.

### **Digital Video Recording System**

The Company has completed the development of digital video recording system based on PC platform and the digital video recording system improvement project for Shenyang Industrial and Commercial Bank.

### **Semiconductor Manufacturing International Corporation (“SMIC”)**

Semiconductor Manufacturing International (Shanghai) Corporation (“SMIC Shanghai”), a wholly owned subsidiary of SMIC, is engaged in provision of the first class foundry services to its customers. SMIC has concluded a five-year contract with the DRAM manufacturer, Elpida of Japan. Elpida has designated SMIC Shanghai as the foundry to produce its 0.13um stacked-capacitor DRAM. Such cooperation has not only strengthen the relationship between Japan’s semiconductor and China’s foundry industries but also enhance Japan’s semiconductor industry to maintain its competitive edge, particularly in the area of IC technology and design and to accelerate the progress of China’s IC foundry industry.

Under an agreement between SMIC and Artisan Components Inc (“Artisan”), a leading provider of semiconductor intellectual property, Artisan would deliver its standard set of memory generators, standard cell and I/O library platform products optimized for SMIC’s 0.18-micron design rules and characterized using the latest electrical models of SMIC’s process. The products would include Artisan’s extensive set of views and models of the industry’s leading EDA tools.



In addition, SMIC and Toshiba Corporation (“Toshiba”) of Japan has established a technology licensing and foundry agreement that the 0.15 micron low power static random access memory (SRAM) technology would be introduced to SMIC Shanghai so as to enhance the strategic alliance. Then, Toshiba would be able to gain the capacity support from SMIC, while SMIC would be able to utilize the new advanced SRAM process technology to support its customers.

The major products of SMIC Shanghai are DRAM, logic LSI, analog IC and LCD driver IC etc. The monthly production capacity has reached to 30,000 wafers.

## **GOVERNMENT APPROVALS AND AWARDS**

Two automatic fire alarm system products technology projects jointly developed by a German company have been sent for examination. It is expected that the approval could be obtained by June of this year.

The network management platform system software developed by Jade Bird Software has been accredited as the “State Important New Products” by China Economic and Trade Committee in January 2003.

SMIC’s fab2 and fab3B have passed the ISO 9001: 2000 audit by the British Standard Institute with zero-defect performance in March 2003.

## **MARKETING ACTIVITIES**

The Company has advertised in various network security magazines to promote the Jade Bird firewall products, including “Electronic Designer & Application World”, “China Information Security” and “Information Security Trends” etc.

In addition, Jade Bird Netsoft has participated in the “China South Region Telecommunication (Boardcasts) Equipment and Software Roadshow” and has contracted with the memory network equipment company such as Lenovo (formerly known as Legend) Group for provision of the network management and fee charging software developed by Jade Bird Netsoft. Jade Bird Netsoft would establish and improve the sales team and system and also extend the sales network to the whole country as well as to different industries so as to acquire a larger market share and strive to become a substitute to the imported products.

## **OUTLOOK**

Due to the increasing awareness to network security, the prospect of the network security products business is still optimistic. The newly contracted projects, including the system integration for Guiyang Aluminum Magnesium Design and Research Institute and the Zhenhai Electric Factory Project of Beijing Zhongtian Company, will be commenced in the second quarter this year.

The business of Jade Bird Netsoft in Wuhan is getting mature. Its customers are mainly government departments, such as the exchange centre general management platform project for Wuhan Telecommunication Bureau and the electronic public administration network monitoring system and management system project in Wuhan. Jade Bird Netsoft will strive to enhance and improve the network management software in respect of its function and scope of application and then to become a famous brand in China.

The second largest business of the Company is wireless and wire alarm products. In addition to the market in north part of China, its business is expanding to south part of China. The contracted fire alarm projects include Dongguan China South Plaza of Dongguan Central Fire Alarm Company in Guangdong Province and Guiyang Fuzhong International Plaza in Guizhou Province.

SMIC and Infineon Technologies AG, a German semiconductor company, have signed an agreement to expand their cooperation in the production of standard memory chips (DRAM). Infineon will transfer its 0.11- $\mu$ m DRAM trench technology and 300mm-production know-how to SMIC. SMIC will manufacture products in this technology exclusively for Infineon. Moreover, SMIC is building a 300mm-production plant in Beijing, Infineon will then be able to increase its overall capacity by approximately 15,000 wafer starts per month through this plant.

SMIC Shanghai is awarded “Top Fab of the Year for 2003”, which is a prestigious award presented annually by “Semiconductor International” journal to top-of-the-line fab facilities, in May 2003. The other top fab named by the journal for this year is Intel’s Fab 11X. This has enabled SMIC to position itself as a high-quality foundry in the global IC manufacturing landscape.

The business activities in Beijing of China have been affected by atypical pneumonia starting from the first quarter. Certain projects of the Company are delayed in this regard. It is expected that the business and hence the profit of the second quarter will be further affected to a considerable extent. The Company will continue to enhance the communication with the customers and try to make up the progress of the projects in the third quarter so as to minimize its impact.

## **DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES**

As at 31 March 2003, 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:

<b>Director/Supervisor</b>	<b>Type of interests</b>	<b>Number of Shares</b>	<b>Percentage of deemed beneficial interest in the Company’s share capital</b>
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 period ended 31 March 2003, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31 March 2003, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, 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.

## 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, Prof. Nan Xiang Hao and Mr. Ambrose Chin Man Chung for the period ended 31 March 2003. An audit committee meeting was held to review the Group's first quarterly results and provide advice and recommendations to the board of directors.

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

For the period ended 31 March 2003, 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 2003.