



**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



**THIRD QUARTERLY RESULTS REPORT**  
FOR THE PERIOD ENDED 30 SEPTEMBER 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)*

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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

- Turnover is approximately RMB135.2 million, a decrease of approximately 3% as compared to the corresponding period last year.
- Operating profit is approximately RMB4.3 million.
- Profit before interest, tax, depreciation, amortisation and minority interest is approximately RMB11.3 million, a decrease of 74% as compared to the corresponding period last year.
- Loss attributable to shareholders is approximately RMB1.6 million.
- Loss per share is RMB0.16 cents.
- Interest expense is approximately RMB9.6 million, a decrease of 49% as compared to the corresponding period last year.

## THIRD 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 nine months ended 30 September 2003 together with the unaudited comparative figures for the corresponding period in 2002 as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Turnover	2	47,755	52,690	135,156	138,659
Other income	2	(1)	460	1,969	1,090
Operating expenses:					
Materials and equipment		(38,916)	(25,783)	(105,653)	(70,832)
Employee costs		(2,507)	(4,105)	(10,986)	(13,010)
Depreciation of property, plant and equipment		(834)	(888)	(2,630)	(2,743)
Amortisation of goodwill and intangible assets		(1,223)	(1,492)	(4,423)	(4,082)
Other operating expenses		(4,745)	(4,624)	(9,181)	(12,258)
Total operating expenses		(48,225)	(36,892)	(132,873)	(102,925)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		(471)	16,258	4,252	36,824
Finance income/(cost)					
Interest income		641	648	1,683	2,918
Interest expense		(2,846)	(6,005)	(9,565)	(18,681)
Profit/(Loss) before taxation and minority interest		(2,676)	10,901	(3,630)	21,061
Taxation	3	–	(5)	–	(5)
Profit/(Loss) before minority interest		(2,676)	10,896	(3,630)	21,056
Minority interest		728	(175)	2,040	(697)
Profit/(Loss) attributable to shareholders		(1,948)	10,721	(1,590)	20,359
Retained earnings, beginning of period		77,861	50,802	77,503	41,164
Retained earnings, end of period		75,913	61,523	75,913	61,523
Earnings/(Loss) per share					
– basic (RMB cents)	4	(0.18)	1.11	(0.16)	2.11

## 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 applications, 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.

	For the three months ended 30 September		For the nine months ended 30 September	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of embedded systems and related products	30,835	19,819	72,909	43,395
Sales of computer products	16,646	20,592	60,554	61,834
Provision of total solution services	274	12,279	1,693	33,430
	<u>47,755</u>	<u>52,690</u>	<u>135,156</u>	<u>138,659</u>
Other Revenue	<u>(1)</u>	<u>460</u>	<u>1,969</u>	<u>1,090</u>

## 3. Taxation

Hong Kong profits tax is charged at the rate of 17.5% (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 nine months ended 30 September 2003 (2002: RMB5,000).

There was no material unprovided deferred tax for the period ended 30 September 2003 (2002: Nil).

## 4. Earnings/(Loss) per share

The calculation of loss per share of RMB0.16 cents (2002: earnings per share of RMB2.11 cents) for the nine months ended 30 September 2003 was based on the loss attributable to shareholders of approximately RMB1,590,000 (2002: profit attributable to shareholders of approximately RMB20,359,000) and on the weighted average number of 1,008,102,564 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 nine months ended 30 September 2003 amounted to RMB135.2 million, representing a decrease of approximately 3% as compared to the corresponding period last year.

The decrease in turnover and the unfavourable operating results was primarily due to a substantial reduction in total solution services projects as affected by the outbreak of the atypical pneumonia in the first half of the year. The higher margin total solution services business experienced a decrease of RMB31.7 million to RMB1.7 million from RMB33.4 million in the same period last year. The decrease in revenue of total solution services was partly offset by increase in revenue from the development and sales of embedded systems and related products of RMB29.5 million to RMB72.9 million. For the nine months period ended 30 September 2003, the turnover from the sales of embedded system products and related products, sales of computer products and total solution services were approximately 53.9%, 44.8% and 1.3% respectively as compared to the more evenly distributed sales mix of 31.3%, 44.6% and 24.1% respectively in the same period last year.

### Operating Profit

The unaudited operating profit of the Group for the nine months ended 30 September 2003 amounted to RMB4.3 million.

The operating results of the Group was affected by the decrease in the revenue of total solution services which carried a higher margin. In addition, sales of embedded systems as well as sales of computer products also recorded decrease in gross profit margin. The decrease in gross profit was partly offset by savings in employee costs and other operating expenses resulting in a decrease of 88% in operating profit as compared to the same period last year.

### Finance Cost

In January 2003, the Company had replaced a short-term bank loan of RMB360 million drawn down in year 2001 with 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 recorded a decrease of RMB9.1 million or 49% as compared to the corresponding period last year.

### Loss Attributable to Shareholders

The loss attributable to shareholders and loss per share of the Group for the nine months ended 30 September 2003 were RMB1,590,000 and RMB0.16 cents respectively.

## BUSINESS REVIEW

### Network Security Products

The Company has completed the development of the firewall systems with electronic data verification and classification features as well as the VPN (Virtual Private Network) firewall system for the Ministry of Public Security. The Company is currently developing firewall system employing full gigabit bandwidth technology and attached with IDS features. The Company has completed the production of seventy-eight units of JB-FW1/100 and two units of JB-FW1/1000 firewall system. The following projects were implemented: Guangzhou network security project for Guangzhou Military Region, anti-virus project for China National Aviation Corporation, network security project of Hebei province. The following firewall system contracts were entered into during the period: switchboard system of Shenyang Aluminium/Magnesium Design Institute; Tianqiao, Lidaxun, Weishilongma projects in Huhehaote City; Wande in Inner Mongolia, Zhonghong in Xinxiang City as well as the VPN security project for the State Electricity Corporation.

### Wireless Fire Alarm System

The Company has completed the technology development for fire detectors and monitors, and has allocated resources to research and develop single-unit system upgrade technology. A total of one hundred twenty thousand units of fire alarm detectors and one hundred and forty fire alarm monitor units were manufactured in the third quarter of the year. The following projects employing wireless fire alarm system were delivered in the third quarter: Yicui Garden (怡翠園) in Nanhai City, Guangdong province and Jinxiuhuatian (錦繡華天) in Changsha City, Hunan province. The following projects currently under implementation also employ the wireless fire alarm technology: Guangda Garden (廣大花園) in Shenzhen City and General Century International Apartment (通用時代國際公寓) in Beijing.

### Security ICs

The Company has completed the research and development of USB interface mousedriver ICs technology and home network SOC platform. In addition, the Company has supplied PCMCIA Card for GPRS wireless internet access to Beijing Jiashenglianhua Company.

### Smart Card Application System

The Company has completed the access control project for the dormitory of the University of Peking. The Group is restructuring its non-core business units with a view to controlling costs and increasing resources utilization. As such, the Company is exploring the feasibility of merging the operations of the Smart Card Application System with other embedded systems.

### **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; the finished product has been sent to the China Electricity Research Institute for further testing and evaluation and it is expected to obtain the relevant certificate in the fourth quarter.

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

SMIC announced the successful raising of approximately US\$630 million through the issuance of Series C Preference Shares on 13 September 2003. Existing shareholders participating in this financing include Shanghai Industrial Holdings Limited, H&Q Asia Pacific Limited, Walden International, Temasek, and a Singapore consortium led by Vertex Management. New investors in SMIC are comprised of well-known venture capital firms such as New Enterprise Associates and Oak Investment Partners, Beida Microelectronics Investment Limited, as well as strategic investors.

SMIC's eight-inch fab facilities in Shanghai have reached a capacity of more than forty thousand wafers per month. Capital raised from the issuance of Series C Preference Shares will be used for the expansion of the three fabs in Shanghai as well as the development of the new 300mm facility in Beijing.

### **Wuhan Jade Bird Netsoft Company Limited (Jade Bird Netsoft)**

Jade Bird Netsoft has completed the development of NetSureExpert 5.1, the network management platform software, as well as the basic version of a network traffic analysis software. The "traffic analysis and clearing system" project using the above mentioned software for the Information Exchange Centre of the Wuhan Telecommunication Bureau was completed. The following contracts, employing the NetSureExpert 5.1 Software were obtained: network management system for Nanjing Telepost University and the network management system for the e-government project of Jinmen City in Hubei province.

## **GOVERNMENT APPROVALS AND AWARDS**

The encryption card SJ-01 has been formally certified by the State Encryption office in September 2003.



## MARKETING ACTIVITIES

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

In addition, the Network Security Division of the Company has participated in the “Beijing Information Security Exhibition” in August. The Company also participated in the Fire Services Exhibition in Shanghai in September. Further-more, the Company also exhibited in the Scientific Research Achievement of universities in Beijing show organized by the Jiangsu provincial government in October.

Jade Bird Netsoft has launched a promotion for trial utilization of its NetSureExpert 5.1 software during the period from 1 June 2003 to 30 September 2003.

## OUTLOOK

The Company has allocated resources to research and develop state of the art technology for firewall for multiple interfaces for external net and virtual private network with higher bandwidth, zero packet loss and e-mail filter. The Company is also developing mixed mode firewall and VLAN. Jade Bird Netsoft will continue to enhance and improve its network management software targeting enterprises and telecommunication bureaus.

The Company, with its industry focused sales strategy and coupled with the regional sales offices established in Beijing, Shanghai and Guangzhou, plans to increase its market share and to become competitive with imported products.

SMIC is the first foreign invested foundry in mainland China for 200mm production, and is also one of the leading foundry in terms of technology employed and capital investment. SMIC is building the first 300mm production plant in mainland China with state of the art technology.

SMIC has recently announced to deploy Virage Logic’s technology for SMIC’s 0.13um CMOS process.

The outbreak of atypical pneumonia in Beijing in the first half of 2003 has a negative impact on the business activities of the Company, in particular the longer lead time total solution services revenue recorded a substantial decrease in the first nine months of the year. The Company would use its best endeavours to ensure the smooth operation of the original projects and would increase its marketing effort to secure new projects. On the otherhand, the Group is restructuring its non-core business units with a view to controlling costs and increasing resources utilization. Pursuant to this initiative, the Group has in early November entered into an asset transfer agreement with Shenzhen Beida Jade Bird Technology Limited, a connected person as defined in the GEM Listing Rules to transfer the assets of the Digital Video Recorder System unit for a consideration of RMB3 million. The transfer becomes effective on 4 November 2003.

**DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES****(a) Interests and short positions of the Directors and Supervisors of the Company in the total issued Promoter Shares in the share capital of the Company and its associated corporations**

As at 30 September 2003, the interests (including interests in shares and short positions) of the Directors or Supervisors of the Company in the Promoter Shares of the issued share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) which will be required to be notified to the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) which will be required pursuant to section 352 of the SFO to be entered in the register referred to in that section; or (c) will be required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, will be as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of Promoter Shares held by Heng Huat</b>	<b>Percentage shareholding in the Promoter Shares</b>	<b>Percentage shareholding in the issued share capital</b>
<b>Director</b>				
Mr. Xu Zhen Dong	Beneficiary of a trust	220,000,000	31.43%	22.82%
Mr. Xu Zhi Xiang	Beneficiary of a trust	220,000,000	31.43%	22.82%
Mr. Zhang Wan Zhong	Beneficiary of a trust	220,000,000	31.43%	22.82%
Mr. Liu Yong Jin	Beneficiary of a trust	220,000,000	31.43%	22.82%
Mr. Wu Min Sheng	Beneficiary of a trust	220,000,000	31.43%	22.82%
<b>Supervisor</b>				
Mr. Zhang Yong Li	Beneficiary of a trust	220,000,000	31.43%	22.82%
Ms. Dong Xiao Qing	Beneficiary of a trust	220,000,000	31.43%	22.82%

The above Directors and Supervisor of the Company are taken to be interested in the issued share capital of the Company through their respective interests as beneficiaries, among other beneficiaries, of Heng Huat Trust. By a declaration of trust (Heng Huat Trust) made as a deed on 19 July 2000, Mr. Xu Zhen Dong, Mr. Zhang Wan Zhong and Ms. Liu Yue (who has been replaced by Mr. Xu Zhi Xiang since 9 May 2003 as a trustee) declared that they held the shares of Heng Huat Investments Limited (Heng Huat) as trustees for the benefits of 477 employees of Beijing Beida Jade Bird Software System Company, Beijing Beida Jade Bird Limited, Beijing Beida Yu Huan Microelectronics System Engineering Company and Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited and their respective subsidiaries and associated companies and the Company. Heng Huat is beneficially interested in approximately 93.37% in the issued share capital of Dynamic Win Assets Limited (Dynamic Win), and is taken to be interested in 220,000,000 Promoter Shares which Dynamic Win is interested. Mr. Xu Zhen Dong, Mr. Zhang Wan Zhong and Mr. Xu Zhi Xiang (who replaced Ms. Liu Yue as a trustee on 9 May 2003 upon Ms. Liu's resignation as a trustee on the same date) are trustees holding 60, 20 and 20 shares out of 100 shares in the issued share capital of Heng Huat.

**(b) Interests in share options**

As at 30 September 2003, no options have been granted by the Group pursuant to the share option scheme adopted by the Company on 5 July 2000.

**DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES**

Save as disclosed above, during the period ended 30 September 2003, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30 September 2003, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2003, the persons other than a Director or chief executive or Supervisor of the Company who have interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

<b>Shareholder (Holders of Promoter Shares)</b>	<b>Capacity</b>	<b>No. of Promoter Shares (Long position)</b>	<b>% in total Promoter Shares</b>
Peking University ( <i>Note 1</i> )	Interest of controlled corporation	310,000,000	44.28%
Heng Huat Investments Limited ( <i>Note 2</i> )	Interest of controlled corporation	220,000,000	31.43%
Dynamic Win Assets Limited	Beneficial Owner	220,000,000	31.43%
New World Cyberbase Limited	Interest of controlled corporation	70,000,000	10.00%
New View Venture Limited	Beneficial Owner	70,000,000	10.00%
Asian Technology Investment Company Limited	Beneficial Owner	50,000,000	7.14%

<b>Shareholder (Holders of H Shares) (Note 3)</b>	<b>Capacity</b>	<b>No. of H Shares (Long position)</b>	<b>% in total H Shares</b>
Multi-Treasure Investments Limited	Beneficial Owner	39,257,000	9.71%
Sun-Glory Investments Limited	Beneficial Owner	21,651,000	5.36%
China Merchants Bank	Interest of controlled corporation	20,187,000	4.99%
CMB International Capital Corporation Limited	Beneficial Owner	20,187,000	4.99%
E-life International Limited	Interest of controlled corporation	14,109,000	3.49%
Prosperous World International Limited	Interest of controlled corporation	14,109,000	3.49%
Heatwave Industries Limited	Beneficial Owner	14,109,000	3.49%

## Notes:

- (1) Peking University is taken to be interested in 44.28% of the total Promoter Shares through the following companies:
- (a) 85,000,000 Promoter Shares (representing approximately 12.14% of the Company's total Promoter Shares) held by Beijing Beida Yu Huan Microelectronics System Engineering Company, which is beneficially wholly-owned by Peking University;
  - (b) 110,000,000 Promoter Shares (representing approximately 15.71% of the Company's total Promoter Shares) held by Beijing Beida Jade Bird Software System Co., which is beneficially wholly-owned by Peking University;
  - (c) 40,000,000 Promoter Shares (representing approximately 5.71% of the Company's total Promoter Shares) held by Beijing Beida Jade Bird Limited, which is approximately 46% owned by Peking University; and
  - (d) 75,000,000 Promoter Shares (representing approximately 10.71% of the Company's total Promoter Shares) held by Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited, the board of which is controlled by Beijing Beida Jade Bird Limited.
- (2) Heng Huat Investments Limited is beneficially interested in 93.37% of the issued share capital of Dynamic Win Assets Limited and is taken to be interested in 220,000,000 Promoter Shares held by Dynamic Win Assets Limited in the issued capital of the Company.
- (3) The information disclosed is based on the Substantial Shareholder Notices given by the holders of H Shares to the Stock Exchange and received by the Company for the period ended 30 September 2003.

Save as disclosed above, so far as is known to the Directors there are no persons, other than the Company, who are interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

## 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. As at 30 September 2003, the Audit Committee has two members namely, the two independent non-executive Directors, Prof. Nan Xiang Hao and Mr. Ambrose Chin Man Chung.

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

For the period ended 30 September 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, 13 November 2003