

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



FIRST QUARTERLY RESULTS REPORT

For the three months ended 31 March 2006



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)

(Stock Code: 8095)

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FOR THE THREE MONTHS ENDED 31 MARCH 2006**

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This report, for which the directors of the Company 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.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “Company”) and its subsidiaries (collectively as the “Group”) is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2006 together with the unaudited comparative figures for the corresponding period in 2005 as follows:

	Notes	For the three months ended	
		31 March 2006 RMB'000	31 March 2005 RMB'000
REVENUE	2	11,172	16,090
Investment income, other revenue and gains	2	56	100
		11,228	16,190
Operating expenses:			
Materials and equipment		(10,118)	(12,468)
Employee costs		(4,562)	(4,822)
Depreciation of property, plant and equipment		(737)	(471)
Amortisation of goodwill and other intangible assets		(40)	(60)
Other operating expenses		(6,053)	(1,662)
Total operating expenses		(21,510)	(19,483)
LOSS FROM OPERATING ACTIVITIES		(10,282)	(3,293)
Finance income/(costs)			
Interest income		1,015	813
Interest expense		(4,214)	(3,624)
Exchange loss		(347)	(485)
Share of loss of an associate		(309)	–
LOSS BEFORE TAX		(14,137)	(6,589)
Tax	3	–	–
LOSS FOR THE PERIOD		(14,137)	(6,589)
Attributable to:			
Equity holders of the parent		(13,422)	(5,607)
Minority interests		(715)	(982)
		(14,137)	(6,589)
DIVIDEND		–	–
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– basic	4	(1.1) cents	(0.5) cents

1. PRINCIPAL ACTIVITIES AND BASIS OF PRESENTATION

During the period, the Group was principally engaged in the research, development, manufacturing, marketing and sale of embedded systems, including network security products (“NET”), wireless fire alarm systems (“WFAS”), application specific integrated circuits (“ASIC”), global positioning system application systems (“GPS”), smart card application systems (“IC”), remote automatic meter-reading systems (“RMR”) and related products. The Group was also engaged in the sale of computer products (“Computer”) and the provision of total solution services through application of its existing embedded system products. In addition, the Group was also engaged in the property development activities during the period.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments, which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2. REVENUE, INVESTMENT INCOME, OTHER REVENUE AND GAINS

Revenue, which is also the Group’s 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, during the period. All significant intra-group transactions have been eliminated on consolidation.

An analysis of revenue, investment income, other revenue and gains is as follows:

	For the three months ended	
	31 March 2006	31 March 2005
	RMB’000	RMB’000
Revenue		
Sale of embedded systems and related products	4,400	6,933
Sale of computer products	6,764	9,136
Rendering of total solution services	8	21
	11,172	16,090
Other revenue		
Others	56	100

3. TAXATION

Hong Kong profits tax has not been provided as the Group has no assessable profits arising in Hong Kong during the period (2005: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country 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 2006 (2005: Nil).

There was no material unprovided deferred tax for the three months ended 31 March 2006 (2005: Nil).

4. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of loss per share of RMB1.1 cents (2005: loss per share of RMB0.5 cents) for the three months ended 31 March 2006 was based on loss attributable to ordinary equity holders of the parent of RMB13,422,000 (2005: RMB5,607,000) and on the weighted average number of 1,184,800,000 shares (2005: 1,184,800,000 shares) in issue.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

MOVEMENTS OF RESERVES

There was no movements of the Group's reserves for the relevant periods in 2006 and 2005 except those disclosed as below:

	Available-for-Sale Investments		Retained Profits	
	Revaluation Reserve			
	2006	2005	2006	2005
	RMB'000	RMB'000 (restated)	RMB'000	RMB'000
At 1 January				
As previously reported	68,711	–	208,568	269,247
Opening adjustment (note a)	–	323,818	–	–
	68,711	323,818	208,568	269,247
Changes in fair value of available-for-sale equity investments for the period	39,860	(97,887)	–	–
Net loss for the period	–	–	(14,137)	(5,607)
At 31 March	108,571	225,931	194,431	263,640

Note:

- (a) In prior years, the Group classified its investments in equity securities as long term investments, which were held for long term basis and were stated at cost less impairment losses. Upon the adoption of Hong Kong Accounting Standard ("HKAS") 39, effective from 1 January 2005, these securities held by the Group at 1 January 2005 are designated as available-for-sale equity investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

FINANCIAL REVIEW

Turnover

The unaudited consolidated turnover of the Group for the three months ended 31 March 2006 amounted to RMB11,172,000, representing a decrease of 31% as compared to the corresponding period last year.

The decrease in turnover was mainly due to overall drop in both the sale of embedded systems and the sale of computer product.

For the three months ended 31 March 2006, the turnover from the sale of embedded system products and related products, the sale of computer product and the rendering of total solution services were approximately 39.4%, 60.5% and 0.1%, respectively.

Operating Loss

The operating loss of the Group for the three months ended 31 March 2006 amounted to RMB10,282,000, representing an increase of 212% as compared to the corresponding period last year.

The increase in operating loss was mainly due to the increase in advertising expense substantially by RMB3,426,000 from the corresponding period last year.

Finance Costs

The interest expenses for the three months ended 31 March 2006 amounted to RMB4,214,000, representing an increase of 16% as compared to the corresponding period last year.

The increase in interest expenses was mainly due to the rise of the market interest of the US dollar bank loan.

Loss Attributable to Equity Holders of the Parent

The loss attributable to equity holders of the parent and loss per share of the Group for the three months ended 31 March 2006 amounted to RMB13,422,000 and RMB1.1 cents respectively.

BUSINESS REVIEW

Network Security Products

During the period, the Group completed the research and development of access control technology of MAC-based; Telnet, pop3, proxy and transparent proxy technology. At the same time, the Group has completed the research and development of firework product based on CIF/DOM.

During the period, Wuhan Beida Jade Bird Netsoft Company Limited (“Wuhan Netsoft”), a subsidiary of the Company, has completed the research and development of PC Management Technology. Wuhan Netsoft is developing the Analysis Situs function Improvement Technology and plan to research and develop the BS construction technology. Wuhan Netsoft has completed the research and development of NetSureXpert 5.3.0.2 version, Wuhan Netsoft is developing the NetSureXpert 5.3.1 version and plan to develop NetSureXpert 5.4 version. Wuhan Netsoft has manufactured 2 Set Public Security Version Network Management System and 15 sets NetSureXpert 5.3.0.2 version products. During the period, Wuhan Netsoft has completed Hangzhou Municipal Public Security Bureau Network Supervisal System Project, Henan Provincial Tobacco Desktop Management System Project, Beijing Economy Information Centre Government Affair Information Management Platform project, Jiangxi State Revenue Bureau’s Network Operation and Maintenance Platform project, Petrochina Dalian distribution company’s Network Management Platform Software project, Shandong Weihai Municipal Public Security Bureau’s Computer Network Management system project and Handan Local Revenue Bureau’s Company Management System project.

During the period, Wuhan Netsoft signed up the Jiangsu Province People’s Government office’s Jiangsu Province Government Electron Government Affairs Network project, Nanjing China Construction Bank Network Operation and Maintenance Platform project, Beijing Information Resources Management Center’s Beijing Information Resource Management Center Information Resources Exchange Platform project, Hunan Province Changde city Industry and Commerce Administrative Bureau’s Changde Industry and Commerce Bureau Inner Network Supervisory System project, Shanghai Baoshan District Civil Administration Bureau Information Center’s Civil Administration Bureau Information Center Network Management System project, Science and Technology Department Information Center Network Supervisory System project, Liaoning Province Chaoyang city Society and Labor Safeguard Bureau’s Liaoning Province Chaoyang city Society and Labor Safeguard Management System project and Shandong Province Tobacco Company Desktop Management System project.

Wireless Fire Alarm System

During the period, the Company completed the design of ARM7 32 digit CPU application in controller, the Company is researching of the Fire Alarm Linkage Controller GUI Interface and the software design technique. The Company have completed non-address feeling smoke detector in accordance with South Korean standard and is developing two in and two out repeaters module product in accordance with South Korean standard.

During the period, the Company completed the Shandong Puli Construction Company's Jinan Pulihaichen Apartment Building project, Shanghai Public Group's Harbin Public New Town Fire Prevention Engineering project.

During the period, the Company signed up the Sunshine 100 Teachers Apartments projects of Hunan University, Wanlilong Hotel project, Beijing Zhongxiao Weiye Security Technology Engineering Company Fire Prevention Technology company's Botai Wangjing Zhiye Center project, Beijing Ye Enterprise Group company's Yeqing Building project.

Semiconductor Manufacturing International Corporation ("SMIC")

SMIC reported an increase in capacity to 157,330 8-inch equivalent wafers per month at the end of 2005 and utilization rate to 95% in the first quarter of 2006.

On the technology front, SMIC is developing its 65 nanometer technology with one of the top fables companies in the world, SMIC hopes to produce engineering samples by end of 2006.

MARKETING ACTIVITIES

During the period, the Company participated in the North America Fire prevention fire fighting system market rules and regulations, the Trend and the Market Entrance seminar which is sponsored by the American Safe Examination Laboratory Company, the Henan Province Construction Electricity Professional Committee, the Henan Province Construction Electricity Specialized Committee, Henan Province the 24th session of Construction Electricity Academic Meeting which is sponsored by the Henan Province Wisdom Construction Professional Committee.

GOVERNMENT APPROVALS AND AWARDS

In January 2006, Heibei Fire Protection was awarded "Top Ten Comfortable Brand of the National Fire Protection Equipment Industry" during a community survey conducted by the Assessment Centre of China Press Association.

STAFF

At present, the Group has approximately 176 employees, of which 5 possess doctorate degree, 28 possess master degree and 109 possess bachelor degree. Under the Group's existing organization structure, the research, development and technical support team has over 71 members, while the marketing and sales team has 35 members.

OUTLOOK

The Group is still undergoing the rationalisation of its operation structure. For the rest of the year, the Group continues the consolidation of the "NetSureXpert" products (software aspect), the firewall products (hardware aspect) and the service rendering into Wuhan Netsoft. Through such reorganization, Wuhan Netsoft is capable of providing wider range of business to its customers.

In respect of the property business, the Board is optimistic to the prospect of such development in Beijing city. As the 2008 Olympic Games approaches, the overall business environment in Beijing would undergo a robust growth. Therefore, the Board is confident that this property development project would bring to the Group a promising return.

DIRECTORS, SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests and short positions of the directors, supervisors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

	Note	Number of shares held, capacity and nature of beneficiary interest of a trust	Approximate percentage of the Company's total issued domestic share capital	Approximate percentage of the Company's total issued share capital
Name of director				
1.	(a)	205,414,000	29.34%	17.34%
2.	(a)	205,414,000	29.34%	17.34%
3.	(a)	205,414,000	29.34%	17.34%
4.	(a)	205,414,000	29.34%	17.34%
Name of supervisor				
1.	(a)	205,414,000	29.34%	17.34%
2.	(a)	205,414,000	29.34%	17.34%

Note:

- (a) The above directors and supervisors 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 the entire issued share capital of Dynamic Win Assets Limited ("Dynamic Win"), and is taken to be interested in 205,414,000 shares of the Company 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.

Save as disclosed above, none of the directors, supervisors and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the three months ended 31 March 2006, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 31 March 2006, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's domestic issued share capital	Approximate percentage of the Company's issued share capital
1. Peking University	(a)	Through a controlled corporation	310,000,000	44.28%	26.16%
2. Beijing Beida Yu Huan Microelectronics System Engineering Company	(a)	Directly beneficially owned	85,000,000	12.14%	7.17%
3. Beijing Beida Jade Bird Software System Company	(a)	Directly beneficially owned	110,000,000	15.71%	9.28%
4. Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	115,000,000	16.43%	9.71%
5. Heng Huat Investments Limited	(b)	Through a controlled corporation	205,414,000	29.34%	17.34%
6. Dynamic Win Assets Limited	(b)	Directly beneficially owned	205,414,000	29.34%	17.34%
7. New World CyberBase Limited	(c)	Through a controlled corporation	84,586,000	12.08%	7.14%
8. New View Venture Limited	(c)	Directly beneficially owned	84,586,000	12.08%	7.14%
9. Asian Technology Investment Company Limited		Directly beneficially owned	50,000,000	7.14%	4.22%

Notes:

- (a) Peking University is taken to be interested in 26.16% of the total issued share capital of the Company through the following companies:
- (i) 85,000,000 shares (representing approximately 7.17% of the Company's total share capital) held by Beijing Beida Yu Huan Microelectronics System Engineering Company, which is beneficially wholly-owned by Peking University;
 - (ii) 110,000,000 shares (representing approximately 9.28% of the Company's total share capital) held by Beijing Beida Jade Bird Software System Co., which is beneficially wholly-owned by Peking University; and
 - (iii) 115,000,000 shares (representing approximately 9.71% of the Company's total share capital) held by Beijing Beida Jade Bird Limited, which is approximately 46% owned by Peking University.
- (b) The shares of the Company are held by Dynamic Win Assets Limited, which is wholly-owned by Heng Huat.
- (c) The shares of the Company are held by New View Venture Limited, which is wholly-owned by New World CyberBase Limited.

Save as disclosed above, no person, other than the Directors and Supervisors of the Company, whose interests are set out in the section "Directors', Supervisors and Chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors, Supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Group.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") with terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include review and supervision of the financial reporting process and internal control and corporate governance issues of the Company and make relevant recommendations to the Board.

The Audit Committee comprises three members, namely, Mr. Wang Chao Yong, Prof. Nan Xiang Hao, Prof. Chin Man Chung, Ambrose, all are independent non-executive directors. Prof. Nan Xiang Hao is the chairman of the Audit Committee. An Audit Committee was held to review the Group's first quarterly results report and provide advice and recommendations to the Board of Directors.

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

For the three months ended 31 March 2006, 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, 11 May 2006