

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



THIRD QUARTERLY RESULTS REPORT
For the nine months ended 30 September 2006



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

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

(Stock Code: 8095)

THIRD QUARTERLY RESULTS REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

THIRD 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”) announced the unaudited consolidated results of the Group for the nine months ended 30 September 2006 together with the unaudited comparative figures for the corresponding period in 2005 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
REVENUE	2	32,403	60,239	73,238	108,500
Investment income, other revenue and gains		362	2,930	710	3,156
Operating expenses:					
Materials and equipment		(25,804)	(54,328)	(59,055)	(93,028)
Employee costs		(4,354)	(4,388)	(13,295)	(12,977)
Depreciation of property, plant and equipment		(692)	(690)	(2,119)	(1,604)
Amortisation of intangible assets		–	(60)	(40)	(180)
Other operating expenses		(6,847)	(4,414)	(20,670)	(9,830)
Total operating expenses		(37,697)	(63,880)	(95,179)	(117,619)
(LOSS) FROM OPERATIONS		(4,932)	(711)	(21,231)	(5,963)
Finance income/(cost):					
Interest income		1,414	764	3,284	3,318
Interest expense		(6,977)	(4,005)	(15,720)	(12,495)
Share of loss of an associate		(364)	(341)	(1,023)	(341)
(LOSS) BEFORE TAX		(10,859)	(4,293)	(34,690)	(15,481)
Tax	3	–	–	–	–
(LOSS) FOR THE PERIOD		(10,859)	(4,293)	(34,690)	(15,481)
Attributable to:					
Equity holders of the Company		(11,116)	(3,916)	(34,595)	(13,779)
Minority interests		257	(377)	(95)	(1,702)
		(10,859)	(4,293)	(34,690)	(15,481)
DIVIDEND	4	–	–	–	–
(Loss) per share attributable to ordinary equity holders of the Company – Basic (RMB cents)	5	(0.94)	(0.33)	(2.92)	(1.16)

1. PRINCIPAL ACTIVITIES AND BASIS OF PRESENTATION

During the period, the Group's principal activities remained unchanged and 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 property development activities during the period.

The unaudited third quarterly results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereafter collectively referred to as "HKFRSs") 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 and the Rules Governing the Listing of Securities on GEM of the Exchange. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. The unaudited third quarterly report of the Group are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. REVENUE

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 is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Revenue				
Sale of embedded systems and related products	15,585	13,625	34,341	32,093
Sale of computer products	16,808	46,611	38,849	76,359
Rendering of total solution services	10	3	48	48
	32,403	60,239	73,238	108,500

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 nine months ended 30 September 2006 (2005: Nil).

There was no material unprovided deferred tax for the nine months ended 30 September 2006 (2005: Nil).

4. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

5. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the three and nine months ended 30 September 2006 were based on loss attributable to ordinary equity holders of the Company of RMB11,116,000 and RMB34,595,000 respectively (2005: RMB3,916,000 and RMB13,779,000 respectively) and on the weighted average number of 1,184,800,000 shares (2005: 1,184,800,000 shares) in issue respectively.

Diluted loss per share for the three and nine months ended 30 September 2006 have not been calculated because no diluting events existed during the periods (2005: not applicable).

MOVEMENTS OF RESERVES

	Capital reserve RMB'000	Reserve funds RMB'000	Available- for-sale investments revaluation reserve RMB'000	Retained profits RMB'000	Foreign exchange translation reserve RMB'000	Total RMB'000
At 1 January 2005						
As previously reported	377,720	52,951	–	269,247	–	699,918
Opening adjustment (note a)	–	–	323,818	–	–	323,818
	377,720	52,951	323,818	269,247	–	1,023,736
Decrease in fair value of available-for-sale equity investments	–	–	(143,046)	–	–	(143,046)
Loss for the period	–	–	–	(13,779)	–	(13,779)
Currency translation differences	–	–	–	–	–	–
At 30 September 2005	377,720	52,951	180,772	255,468	–	866,911
At 1 January 2006	377,720	53,787	68,711	208,568	(11,556)	697,230
Decrease in fair value of available-for-sale equity investments	–	–	(15,299)	–	–	(15,299)
Loss for the period	–	–	–	(34,595)	–	(34,595)
Currency translation differences	–	–	–	–	(928)	(928)
At 30 September 2006	377,720	53,787	53,412	173,973	(12,484)	646,408

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 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 turnover of the Group for the nine months ended 30 September 2006 amounted to RMB73,238,000, representing a decrease of 32.5% as compared to the corresponding period last year.

The decrease in turnover was mainly due to drop in the sale of computer product under escalating competition.

For the nine months ended 30 September 2006, the turnover from the sale of embedded system products and related products, the sale of computer products and the rendering of total solution services were approximately 46.9%, 53.0% and 0.1%, respectively.

Loss from Operations

The loss from operations of the Group for the nine months ended 30 September 2006 amounted to RMB21,231,000, representing an increase of 256.0% as compared to the corresponding period last year.

The increase in loss from operations was mainly due to the increase in advertising expense substantially by approximately RMB9,000,000 from the corresponding period last year and increase in marketing expenses for sales network enhancement.

Interest Expenses

The interest expenses of the Group for the nine months ended 30 September 2006 amounted to RMB15,720,000, representing an increase of 25.8% 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 Company

The loss attributable to equity holders of the Company and basic loss per share attributable to ordinary equity holders of the Company for the nine months ended 30 September 2006 amounted to RMB34,595,000 and RMB2.92 cents respectively.

BUSINESS REVIEW

Network Security Products

During the third quarter, the Group has completed the research and development (“R&D”) of gateway firewall product series in respect of multi-links automatic backup technology. The Group has now proceeded to the R&D of DNS proxy technology and planned the R&D of mail filter technology. During this quarter, the R&D of JBFW1-v4.0 products, the production of 66 units of JB-FW1/100M firewall system and 8 units of JB-FW1/K1000 firewall system has been completed. The Group is conducting the R&D of JBFW1-V4.1 products and planned the R&D of JB-UTM products.

Projects completed by the Group during this quarter included the Network Security System Project of Shenyang Coal Industry (Group) Company and Guangzhou Medicine Guarantees Bureau, Network Management System Project of Pingdingshan Wugang Municipal Government, Network Operation Supervisory System Project of Nanyang Public Security Bureau, Network Management System Project of Shenyang Coal Industry (Group) Company, Network System Project of Shanghai Internet Switching Center, Network Supervisory System Project of East China Petroleum and Synthesis Operation Supports Platform Project of Xuchang Branch of China Netcom (Group) Company Limited. Projects newly signed in this quarter included the Intranet Security Supervisory System Project of Procuratorate of Haozhou, Anhui Province, the Network Security System Projects of Electricity Power Bureau of Yichun, Jiangxi Province, Information Center of Chongwen District, Beijing City, Information Center of Gansu Province, Synthesis Operation Supports Platform Project of Xuchang Branch of China Netcom (Group) Company Limited, Network Management System Project of Guangdong Dapeng LNG Company Limited, Corporate Operation Supports Platform Software Project of Pingdingshan Coal (Group) Co., Ltd. of Henan Province, Network Supervisory System Project of Research Institute No. 709 of China Shipbuilding Corp., Network Supervisory System Project of East China Petroleum, Network Supervisory System Project of Suzhou Institute of Trade and Commerce Campus, Network Management System Project of People's Procuratorate of Qingpu District, Shanghai City, Network Management System Project of Nanjing Broadcasting Network Broadband Synthesis, Intranet Supervisory Management System Project of Hangtai Technology Group and Network Operation Supports Platform Project of Nan Chang Telecom.

During this quarter, the Group has completed the R&D of new IP address management technology. The Group is conducting the R&D of PC management technology and planning the R&D of upgrade technology of the server management function module . During this quarter, the R&D of Guo Sui 5.3.0.2 version has been completed. The Group has proceeded to the R&D of NetSureXpert 5.3.0.3 version and planned the R&D of NetSureXpert 5.3.1 version. A total of 40 sets of NetSureXpert 5.3.0.1 version products have been produced during this quarter.

Wireless Fire Alarm System

During this quarter, the Group has completed the R&D of marine alarm control technology. The Group has now proceeded to the R&D of city fire alarm supervisory system products and planned the R&D of domestic fire alarm products. During this quarter, the production of 1 set of fire alarm control software Ver4.06, 150,000 units of LN2100 optoelectronics smoke detectors and 50,000 units of LN2110 electric thermal detectors was completed.

During this quarter, the Group completed the projects of Botai Wangjing Zhiye Center Project of Beijing China Fire Evergreen Safety Technology Engineering Co., Ltd and Shi Li He Comprehensive Building of Beijing An Di Sheng Safety System Automation Co. Ltd's. Projects newly signed in this quarter included Jing Hu Chun Xiao Project in Dongguan, Guangdong Province, Tian Tai Jin Di Plaza Project in Chongqing, Piazza Dela Signoria Project in Pearl River, Guangdong Province, Foreign Student Apartment Expert Building Project in Peking University and New World Hotel Project in Changsha.

Dongzhimen Project

According to the Company's announcement dated 24 August 2006 in respect of the Dongzhimen Project Re-discharge of the "Freeze Order", the People's High Court of Beijing, in consideration of a further guarantee provided by 北大資產經營有限公司 (a company wholly-owned by the Peking University which is the ultimate controlling shareholder of the three existing promoters of the Company and is therefore a connected person (as defined in the GEM Listing Rules)), was of the view that the application by our associate company, Beijing Chengjian Donghua Real Estate Development Company Limited, for the discharge of the Freeze Order has now met the legal requirements. Accordingly, the People's High Court of Beijing re-discharged the Freeze Order.

Details in respect of the Freeze Order were set out in the announcements of the Company dated 14 December 2005, 10 March 2006, 22 May 2006 and 14 August 2006 respectively.

Available-for-sale equity investments – Semiconductor Manufacturing International Corporation ("SMIC")

The net loss attributable to holders of ordinary shares of SMIC for this quarter was US\$35,094,000, representing an increase of 34.4% as compared to the same period last year. Monthly production capacity was increased to 176,625 8-inch equivalent wafers and the capacity utilization was 84.3%.

According to the published information of SMIC, the first 90 nanometer logic product moved into mass production at the 300 millimeter facility in Beijing in this quarter. Elpida's 512M-bit DDR2 DRAM using the 90 nanometer manufacturing process also moved into mass production. The second 90 nanometer DRAM product for Qimonda will go into commercial production in the fourth quarter 2006. In this quarter, 90 nanometer technologies contributed 4.9% of total wafer revenues.

SMIC entered into a strategic agreement with Qualcomm. SMIC will provide integrated circuit manufacturing services to Qualcomm using a specialised BiCMOS process technology at the Tianjin facility. This agreement will combine SMIC's wafer fabrication capacities and subcontractor infrastructure with Qualcomm's leadership in 30 wireless technologies, with a focus on power management ICs.

STAFF

At present, the Group has approximately 204 employees, of which 4 possess doctorate degree, 29 possess master degree and 126 possess bachelor degree. Under the Group's existing organization structure, the research, development and technical support team has over 99 members, while the marketing and sales team has 66 members.

OUTLOOK

The technology of our embedded system products has become mature gradually. Under escalating market competition, the development of the Group will be divided into two aspects. On one hand, the Group will put more efforts in marketing by focusing on promotion in key industries and regional construction to increase our market share. On the other hand, the Group will enhance its after sales services for the existing high-quality customers and provide new customized products and solutions in order to establish a high-quality customer base. The Group will continue to control our cost strictly in order to push up our margin.

The Group will closely monitor the progress of Dongzhimen Project. In the view of the excellent location of the project, the Group believes the Project will contribute satisfactory returns for the Group upon successful development.

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

At 30 September 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. Mr. Xu Zhen Dong	(a)	205,414,000	29.34%	17.34%
2. Mr. Xu Zhi Xiang	(a)	205,414,000	29.34%	17.34%
3. Mr. Zhang Wan Zhong	(a)	205,414,000	29.34%	17.34%
4. Mr. Liu Yong Jin	(a)	205,414,000	29.34%	17.34%
Name of supervisor				
1. Mr. Zhang Yong Li	(a)	205,414,000	29.34%	17.34%
2. Ms. Dong Xiao Qing	(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 nine months ended 30 September 2006, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30 September 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, Prof. Nan Xiang Hao, Prof. Chin Man Chung, Ambrose and Mr. Cai Chuan Ping, 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 third 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 nine months ended 30 September 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, 14 November 2006