



青鸟环宇
JADE BIRD UNIVERSAL

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

(Stock Code : 08095)



Third Quarterly Results Report

For the nine months ended 30 September 2008

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.

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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 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") announced the unaudited consolidated results of the Company and its subsidiaries (collectively as the "Group") for the nine months ended 30 September 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2008

	Note	Three months ended 30 September		Nine months ended 30 September	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)
TURNOVER	3	53,902	35,025	113,869	85,862
Cost of sales		(37,321)	(26,601)	(82,314)	(69,561)
Gross profit		16,581	8,424	31,555	16,301
Other income	4	17,189	5,829	45,193	13,433
Distribution expenses		(3,754)	(5,745)	(11,917)	(15,811)
Administrative expenses		(6,646)	(4,565)	(23,640)	(12,098)
Other operating expenses		(1,544)	(1,110)	(7,197)	(3,703)
PROFIT/(LOSS) FROM OPERATIONS		21,826	2,833	33,994	(1,878)
Finance costs	5	(1,700)	(8,805)	(37,161)	(24,513)
Change in fair value of financial assets at fair value through profit and loss		(6,211)	–	(6,727)	–
Change in fair value of derivative financial instruments		234	7,569	6,375	(10,430)
Share of loss of an associate		–	(75)	–	(861)
Gain on disposal of an associate		–	386,126	–	386,126
Share of loss of a jointly controlled entity		(381)	–	(385)	–
Other loss		–	–	(489)	–
PROFIT/(LOSS) BEFORE TAX		13,768	387,648	(4,393)	348,444
Income tax expense	6	(1,498)	(44,890)	(1,498)	(44,890)
PROFIT/(LOSS) FOR THE PERIOD		12,270	342,758	(5,891)	303,554
Attributable to:					
Equity holders of the Company		9,115	341,667	(7,993)	302,810
Minority interests		3,155	1,091	2,102	744
		12,270	342,758	(5,891)	303,554
EARNINGS/(LOSS) PER SHARE					
– basic (RMB)	7	0.77 cent	28.84 cents	(0.67) cent	25.56 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2008

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Reserve funds	Foreign		Retained profits	Proposed final dividend	Total	Minority interests	Total equity
				translation	Investment					
				reserve	revaluation					
(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	
At 1 January 2007	118,480	377,720	53,787	(23,616)	53,288	168,934	-	748,593	4,279	752,872
Changes in fair value of available-for-sale financial assets	-	-	-	-	(33,392)	-	-	(33,392)	-	(33,392)
Translation differences	-	-	-	(11,442)	-	-	-	(11,442)	-	(11,442)
Net expense recognised directly in equity	-	-	-	(11,442)	(33,392)	-	-	(44,834)	-	(44,834)
Profit for the period	-	-	-	-	-	302,810	-	302,810	744	303,554
Total recognised income and expense for the period	-	-	-	(11,442)	(33,392)	302,810	-	257,976	744	258,720
Capital contribution from minority shareholders	-	489	-	-	-	-	-	489	1,761	2,250
Transfer to/(from) reserve funds	-	-	(893)	-	-	197	-	(696)	696	-
At 30 September 2007	118,480	378,209	52,894	(35,058)	19,896	471,941	-	1,006,362	7,480	1,013,842
At 1 January 2008	118,480	378,209	77,974	(44,167)	4,728	403,545	23,696	962,465	58,126	1,020,591
Changes in fair value of available-for-sale financial assets	-	-	-	-	(227,741)	-	-	(227,741)	(20,625)	(248,366)
Translation differences	-	-	-	(12,239)	-	-	-	(12,239)	-	(12,239)
Net expense recognised directly in equity	-	-	-	(12,239)	(227,741)	-	-	(239,980)	(20,625)	(260,605)
Profit/(loss) for the period	-	-	-	-	-	(7,993)	-	(7,993)	2,102	(5,891)
Total recognised expense for the period	-	-	-	(12,239)	(227,741)	(7,993)	-	(247,973)	(18,523)	(266,496)
Dividend declared	-	-	-	-	-	-	(23,696)	(23,696)	-	(23,696)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,129	1,129
Other gain	-	-	-	-	-	-	-	-	489	489
At 30 September 2008	118,480	378,209	77,974	(56,406)	(223,013)	395,552	-	690,796	41,221	732,017

Note:

1. Principal Activities

The Group is principally engaged in the research, development, manufacture, marketing and sale of embedded system products including network security products, wireless fire alarm systems and related products. The Group is also engaged in the sale of computer products ("Computers") and the development of travel and leisure business.

2. Basis of Presentation

2.1 Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current period, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current periods and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs, but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2.2 Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and by the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values. These financial statements are presented in Renminbi ("RMB"), which is the same as the functional and presentation currency of the Company.

The accounting policies adopted in preparing these unaudited consolidated financial statement are consistent with those used in the Company's annual audited consolidated financial statements for the year ended 31 December 2007.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 September. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

2. Basis of Presentation (Continued)

2.2 Basis of preparation (Continued)

Basis of consolidation (Continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the period between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

3. Turnover

The Group's turnover which represents the net invoiced value of goods sold to customers after allowances for returns and trade discounts and net invoiced value of service rendered are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)
Sale of embedded system products and related products	29,552	22,194	64,589	47,165
Sale of Computers	11,803	12,831	31,777	38,697
Rendering of travel and leisure business	12,547	–	17,503	–
	53,902	35,025	113,869	85,862

4. Other income

	Three months ended 30 September		Nine months ended 30 September	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000 (Restated)
Bank interest income	2,540	4,239	9,891	9,026
Interest income from loans receivable	14,458	–	32,821	–
Others	191	1,590	2,481	4,407
	17,189	5,829	45,193	13,433

5. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Interest on bank loans	1	191	44	603
Interest on other loan	1,063	5,214	2,186	17,622
Net foreign exchange losses	636	3,400	34,931	6,288
	1,700	8,805	37,161	24,513

6. Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Current tax – Mainland China	1,498	44,890	1,498	44,890
	1,498	44,890	1,498	44,890

No provision for Hong Kong profits tax has been made for each of the periods ended 30 September 2008 and 2007 as the Group did not generate any assessable profits arising in Hong Kong during each of the periods. Tax charge on profits assessable elsewhere has 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.

6. Income tax expense (Continued)

The Company is registered in the Beijing New Technology Enterprise Development Zone and has been certified by the relevant People's Republic of China ("PRC") authorities as a high technology enterprise. Pursuant to the original Income Tax Law in the PRC, the Company is subject to corporate income tax at a rate of 15%. In accordance with an approval document issued by the relevant tax bureau, the Company has been granted income tax exemption for the three years ended 31 December 2002 and 50% reduction in enterprise income tax for the three years ended 31 December 2005.

The subsidiaries of the Group established in the PRC are generally subject to income tax on their taxable income at a combined national and local tax rate of 25% (2007: 33%). Certain subsidiaries enjoy tax preferential rights and subject to a tax rate of 15% during the period.

The new PRC Unified Corporate Income Tax Law ("CIT Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the corporate income tax rate for domestic and foreign enterprises at 25%. The CIT Law has been effective from 1 January 2008. The Group has already commenced an assessment of the impact of CIT Law but is not yet in a position to state whether the CIT Law would have a material impact on its results of operations and financial position.

At 30 September 2008, there was no significant unrecognised deferred tax liability (2007: RMB Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the directors do not have intention to remit such earnings to the Company in the foreseeable future.

7. Earnings/(loss) per share

The calculation of basic earnings per share attributable to equity holders of the Company for the three months ended 30 September 2008 is based on profit attributable to equity holders of the Company of approximately RMB9,115,000 (2007: approximately RMB341,667,000) and the weighted average number of 1,184,800,000 ordinary shares (2007: 1,184,800,000 ordinary shares) in issue during the period.

The calculation of basic loss per share attributable to equity holders of the Company for the nine months ended 30 September 2008 is based on loss attributable to equity holders of the Company of approximately RMB7,993,000 (2007: profit of approximately RMB302,810,000) and the weighted average number of 1,184,800,000 ordinary shares (2007: 1,184,800,000 ordinary shares) in issue during the period.

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the three and nine months ended 30 September 2008 respectively.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the three and nine months ended 30 September 2007 respectively.

8. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (2007: RMB Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Overall

The Group performed well in the third quarter of 2008 ("3Q08") despite the global spread of financial tsunami and the economic slow down in Mainland China. Turnover surged by approximately RMB53,902,000 in 3Q08 from the second quarter of 2008 ("2Q08") and reached RMB113,869,000 for the nine month period ended 30 September 2008 ("Review Period"). Turnover increased by 53.9% quarter on quarter ("QoQ") and 32.6% year on year ("YoY") respectively. Gross profit was RMB16,581,000 in 3Q08 and reached RMB31,555,000 at the end of Review Period, representing an increase of 96.8% QoQ and 93.6% YoY respectively. Gross profit margin improved significantly from 19.0% to 27.7% YoY.

Sales of embedded systems and related products remained the core business of the Group. These segments contributed more than half of the turnover of the Group for 3Q08 and Review Period respectively. Sales amount grew by 33.2% QoQ and 36.9% YoY. Demand for fire alarm system products of the Group showed an upward trend throughout Review Period due to stable product quality with reasonable price. The Group continued to expand its market share by setting up representative offices and enhancement of sales force. Besides, previously deferred fire system, security system and intelligent surveillance assembly projects were completed gradually during Review Period. 四川久遠智能監控有限責任公司 (Sichuan Jiu Yuan Intelligent Surveillance Co., Ltd.), a subsidiary acquired in April 2008, regained its momentum in Review Period after sales force being strengthened, leading to a gradual increase in sales of its fire alarm systems and intelligent surveillance products.

Sales of Computers contributed to 21.9% and 27.9% of the Group's turnover for 3Q08 and Review Period respectively. Segmental performance remained stable but its contribution was diminishing owing to thin profit margin.

Turnover from travel and leisure business surged drastically in 3Q08 and reached RMB17,503,000 at the end of Review Period. Tourism market experienced a turnaround from the spring snowstorm and Sichuan earthquake in Mainland China.

Other income mainly comprised bank interest income and loan interest income. The former reduced by 40.1% QoQ owing to the decrease in the amount of non-pledged time deposit in 3Q08 but maintained a moderate increase YoY. The latter was generated from loans advanced to two independent third parties during Review Period out of the Group's idle fund.

Finance costs mainly comprised interests on other loans and net foreign exchange losses. The former reduced significantly by 79.6% and 87.6% QoQ and YoY respectively due to partial repayment of cash collateral to a financial institution under certain clauses of a securities lending arrangement (the "Securities Lending"). The latter rose up over 4 times YoY as a result of drastic deflation of United States dollars during Review Period.

Excluding the gain on disposal of an associate recorded last year, profit recorded a gigantic jump of over 8 times QoQ and reached RMB13,768,000 for 3Q08. Loss for Review Period reduced significantly by 88.3% YoY to RMB4,393,000.

Available-for-sale financial assets – Semiconductor Manufacturing International Corporation ("SMIC")

According to the announcement of SMIC dated 29 October 2008, overall revenue increased to US\$375.9 million in 3Q08, down 3.9% YoY but up 9.6% from 2Q08. Gross profit dropped by 35.6% YoY to US\$27.2 million but rose by 30.6% from 2Q08. Revenue growth was primarily due to higher logic demand as well as higher average selling price after change in product mix. Total logic wafer shipments in 3Q08 increased 9.9% from 2Q08 to 396,169 units of 8-inch equivalent wafers. Logic sales accounted for 87.4% of total revenue in 3Q08. SMIC reduced net loss to US\$30.3 million in 3Q08, down 33.6% from 2Q08 but up 18.5% YoY. Net loss in 3Q08 was mainly the result of depreciation and amortization expense of US\$198 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business review (Continued)

Available-for-sale financial assets – Semiconductor Manufacturing International Corporation (“SMIC”) (Continued)

During 3Q08, SMIC continued to make progress in key strategic initiatives. The conversion of DRAM capacity into logic was still on track with estimated completion by the end of 2008. SMIC expected Beijing 300mm logic capacity will be increased more than 50% by the end of year.

China shipment quantity grew 28% in 3Q08. Greater China revenue contributed to 31% of overall revenue in 3Q08. SMIC intends to continue to strengthen geographical focus in domestic China by collaborating with local fables design houses.

Available-for-sale financial assets – Zhang Jia Jie Tourism Development Ltd. (“ZJJ Tourism”)

According to the announcement of ZJJ Tourism dated 23 October 2008, ZJJ Tourism recorded a turnover of approximately RMB67.5 million for Review Period, being dropped by 45.1% YoY owing to the de-consolidation of certain travel agents during 2008, the snowstorm in spring, Sichuan earthquake, and the restriction in immigration during Beijing Olympic Games. Net profit was approximately RMB6.9 million for Review Period, representing an increase of more than 3 times YoY owing to the reversal of certain provisions after settlement of debts in the course of debt reconstruction.

The split share structure reform was not approved by shareholders. ZJJ Tourism has not unveiled the reform procedure again up to date of this announcement.

Liquidity and financial resources

Net asset value of the Group decreased by approximately RMB288.6 million or 28.3% to RMB732.0 million as at 30 September 2008 as compared with its net asset value as at 31 December 2007. It was mainly the result of fall in fair values of the Group's available-for-sale financial assets after nosedive in Hong Kong stock markets and deflation of United States dollars. The Group had cash and cash equivalents of approximately RMB460.7 million as at 30 September 2008. It decreased by 29.6% as compared with the position as at 31 December 2007 because the Group repaid part of the cash collateral under the Securities Lending during Review Period. Current ratio, being the ratio of current assets to current liabilities, deteriorated from 6.7 as at 31 December 2007 to 4.7 as at 30 September 2008. Gearing ratio, being the ratio of total interest bearing debts to total equity, reduced from approximately 18.4% as at 31 December 2007 to 6.4% as at 30 September 2008. Both the deterioration of current ratio and improvement in gearing ratio were owing to the partial repayment of cash collateral during Review Period.

Exposure to foreign currencies

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and debts. The Group will monitor its foreign currency exposure closely and will consider hedge against significant exposure should the need arises.

Capital commitment and contingent liabilities

The Group had no material capital commitment nor contingent liabilities as at 30 September 2008 (2007: RMB Nil).

HUMAN RESOURCES

The Group employed around 668 staff as at 30 September 2008. Over 53% of them possess bachelor degree or above and one of them is doctorate. Around 129 staff concentrate on research and development. The Group offers competitive remuneration package to its staff including medical insurance and travel insurance. The Group strictly follows the requirements both in Hong Kong and the PRC regarding provident and welfare funds. Employer contributions were made timely.

OUTLOOK

It is a consensus that global economic performance will be weak in the coming year with a high probability of recession. Economy of Mainland China will still grow but the pace will be inevitably slow. The Group will take extreme caution in doing its businesses. The Group will maintain sufficient capital to overcome this centennial financial crisis.

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

At 30 September 2008, the interests (including interests in shares 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 were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Long positions:

			Number of shares held, capacity and nature of beneficiary interest of a trust	Approximate percentage of the Company's total number of issued promoter shares	Approximate percentage of the Company's total issued share capital
		Note			
<i>Name of director</i>					
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%
<i>Name of supervisor</i>					
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%

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

Long positions: (Continued)

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 ("Heng Huat Trust"). By a declaration of 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 over 300 (formerly 477 employees) employees of 北京北大青鳥軟件系統有限公司 (Beijing Beida Jade Bird Software System Co., Ltd.), 北京北大青鳥有限責任公司 (Beijing Beida Jade Bird Limited), 北京北大宇環微電子系統有限公司 (Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd.) and 北京天橋北大青鳥科技股份有限公司 (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 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section "Employee Share Option Scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director and supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors and supervisors to acquire such rights in any other body corporate. As at 30 September 2008, none of the directors or the supervisors had any rights to acquire H shares ("H Shares") of the Company.

EMPLOYEE SHARE OPTION SCHEME

The Company conditionally approved a share option scheme on 5 July 2000, pursuant to which the Board may, at its discretion, grant share option to any full-time employees (including any executive director) of the Group to subscribe for H Shares of the Company, subject to a maximum of 30% of the Company's shares in issue at the date of grant. However, employees who are PRC nationals shall not be entitled to exercise the option until the current restrictions on PRC nationals from subscribing for or dealing in H Shares imposed by the relevant PRC law and regulations have been abolished or removed. No options have been granted by the Company to any employees of the Group since the date of establishment of the share option scheme.

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

At 30 September 2008, the following interests and short positions 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	Note	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's total number of issued promoter shares	Approximate percentage of the Company's total number of issued H Shares	Approximate percentage of the Company's issued share capital
1. Peking University	(a)	Through a controlled corporation	310,000,000	44.29%	Not applicable	26.16%
2. Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd. (formerly known as Beijing Beida Yu Huan Microelectronics System Engineering Company)	(a)	Directly beneficially owned	85,000,000	12.14%	Not applicable	7.17%
3. Beijing Beida Jade Bird Software System Co., Ltd. (formerly known as Beijing Beida Jade Bird Software System Company)	(a), (b)	Directly beneficially owned and through a controlled corporation	225,000,000	32.14%	Not applicable	18.99%
4. Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	115,000,000	16.43%	Not applicable	9.71%
5. Heng Huat Investments Limited	(c)	Through a controlled corporation	205,414,000	29.34%	Not applicable	17.34%
6. Dynamic Win Assets Limited	(c)	Directly beneficially owned	205,414,000	29.34%	Not applicable	17.34%
7. Mongolia Energy Corporation Limited	(d)	Through a controlled corporation	84,586,000	12.08%	Not applicable	7.14%
8. New View Venture Limited	(d)	Directly beneficially owned	84,586,000	12.08%	Not applicable	7.14%
9. Asian Technology Investment Company Limited		Directly beneficially owned	50,000,000	7.14%	Not applicable	4.22%
10. Taifook Securities Company Limited	(e)	Directly beneficially owned	80,800,000	Not applicable	16.67%	6.82%
11. Taifook Finance Company Limited	(e)	Through a controlled corporation	80,800,000	Not applicable	16.67%	6.82%
12. Taifook (BVI) Limited	(e)	Through a controlled corporation	80,800,000	Not applicable	16.67%	6.82%

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

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 issued share capital) held by 北京北大宇環微電子系統有限公司 (Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd.) ("Yu Huan"), which is beneficially owned by Peking University;
 - (ii) 110,000,000 shares (representing approximately 9.28% of the Company's total issued share capital) held by 北京北大青鳥軟件系統有限公司 (Beijing Beida Jade Bird Software System Co., Ltd.) ("JB Software"), which is beneficially owned by Peking University; and
 - (iii) 115,000,000 shares (representing approximately 9.71% of the Company's total issued share capital) held by 北京北大青鳥有限責任公司 (Beijing Beida Jade Bird Limited) ("Beida Jade Bird"), which is beneficially owned by Peking University.

On 21 January 2008, the Company had been notified by Yu Huan and JB Software that both companies had entered into share transfer agreements with 杭州北大青鳥科技有限公司 (Hang Zhou Beida Jade Bird Sci-Tech Co., Ltd.) ("HZ Jade Bird"), a non wholly-owned subsidiary of Beida Jade Bird which is 80% beneficially owned by it, respectively on 18 January 2008 whereas both companies agreed to sell to HZ Jade Bird their entire equity interests in the Company (collectively the "Transfers"). The Transfers are conditional upon approvals by 國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council). The Transfers were not effective as at 30 September 2008.

- (b) The interest of JB Software comprises 110,000,000 shares held by JB Software itself and 115,000,000 shares held by Beida Jade Bird, which is beneficially owned by JB Software.
- (c) The shares of the Company are held by Dynamic Win Assets Limited, which is wholly-owned by Heng Huat.
- (d) The shares of the Company are held by New View Venture Limited, which is wholly-owned by Mongolia Energy Corporation Limited.
- (e) The shares are held by Taifook Securities Company Limited, which is directly wholly-owned by Taifook Finance Company Limited and indirectly wholly-owned by Taifook (BVI) 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.

EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have significant events after 30 September 2008.

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, internal control and corporate governance issues of the Company and make relevant recommendations to the Board.

The Audit Committee comprises three members, namely, Professor Nan Xiang Hao, Professor Chin Man Chung, Ambrose and Mr. Cai Chuan Bing. All of them are independent non-executive directors. Professor Nan Xiang Hao is the chairman of the Audit Committee. The Audit Committee had held a meeting and reviewed the Group's third quarterly results report for the nine months ended 30 September 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules during Review Period.

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

For the nine months ended 30 September 2008, the Company did not purchase, sell or redeem any of the Company's H Shares.

By order of the Board

Beijing Beida Jade Bird Universal Sci-Tech Company Limited

Xu Zhen Dong

Chairman

Beijing, the PRC, 12 November 2008