



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT

For the period ended 30 September 2000

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Highlights

- Accomplished a net profit of RMB16,351,571
- Achieved a turnover of RMB29,775,912, representing an approximately 4 times increase in turnover as compared with the turnover for the corresponding period last year
- Earnings per share is RMB21.46 cents

THIRD QUARTERLY RESULTS

The board of Directors (the "Board") of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "Company") is pleased to announce the unaudited results of the Company for the three and nine months ended 30 September 2000.

The unaudited turnover of the Company for the three months ended 30 September 2000 was amounting to RMB14,110,171, representing an increase of RMB9,899,748 or a growth of 235% as compared to the corresponding three-month results of 1999.

The unaudited turnover of the Company for the nine months ended 30 September 2000 was amounting to RMB29,775,912, representing an increase of RMB23,865,425 or a growth of 403% as compared to the corresponding nine-month results of 1999.

The unaudited net profit of the Company for the three and nine months ended 30 September 2000 were amounting to RMB6,968,773 and RMB16,351,571 respectively resulting from the growth in turnover. This represented a substantial improvement in the operating results as compared to the unaudited results for the corresponding period in 1999.

The unaudited results of the Company for the three and nine months ended 30 September 2000 together with the unaudited comparative figures for the corresponding periods in 1999 are as follows :

	Note	1/7/2000 to 30/9/2000 RMB	1/7/1999 to 30/9/1999 RMB	1/1/2000 to 30/9/2000 RMB	1/1/1999 to 30/9/1999 RMB
REVENUES	2	14,110,171	4,210,423	29,775,912	5,910,487
COST OF REVENUES		<u>(2,461,076)</u>	<u>(3,143,330)</u>	<u>(3,889,991)</u>	<u>(4,361,742)</u>
Gross Margin		<u>11,649,095</u>	<u>1,067,093</u>	<u>25,885,921</u>	<u>1,548,745</u>
OPERATING EXPENSES					
Research and development		(3,731,641)	(1,248,872)	(6,515,884)	(3,106,513)
Selling, general and administrative		<u>(3,559,496)</u>	<u>(990,860)</u>	<u>(5,552,724)</u>	<u>(2,456,060)</u>
Total operating expenses		<u>(7,291,137)</u>	<u>(2,239,732)</u>	<u>(12,068,608)</u>	<u>(5,562,573)</u>
Loss from operations		4,357,958	(1,172,639)	13,817,313	(4,013,828)
OTHER INCOME (LOSS), NET		<u>2,610,815</u>	<u>153,856</u>	<u>2,534,258</u>	<u>(24,760)</u>
(LOSS) PROFIT BEFORE TAXATION		6,968,773	(1,018,783)	16,351,571	(4,038,588)
TAXATION	3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>6,968,773</u>	<u>(1,018,783)</u>	<u>16,351,571</u>	<u>(4,038,588)</u>
(LOSS) EARNINGS PER SHARE - BASIC (RMB cents)	4	<u>7.88</u>	<u>(1.46)</u>	<u>21.46</u>	<u>(5.77)</u>

1. Reorganization and basis of presentation

The Company was incorporated in the People's Republic of China ("the "PRC") on March 29, 2000 as a joint stock company with limited liability under the PRC Company Law. In preparation for a listing of the Company's H shares on GEM, a "Reorganization" as set out in the Company's Prospectus dated 20 July 2000 was completed on April 17, 2000. The Company was listed on GEM on 27 July 2000.

Prior to the formation of the Company, the business and operations of embedded system products now undertaken by the Company were conducted by the Predecessor Entities, namely Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited ("Beijing Tianqiao"), Beijing Beida Jade Bird Limited ("Jade Bird"), Beijing Beida Yu Huan Microelectronics System Engineering Company ("Yu Huan") and Beijing Beida Jade Bird Company Limited Electric Instrument Branch ("the Factory"). All such businesses were transferred to the Company pursuant to the aforementioned Reorganization. Since the transfer was among entities under common control, the Reorganization has been accounted for as the basis of merger accounting, similar to a pooling of interests. The results of the Company include the combined results of operations of the Predecessor Entities now comprising the Company as if the Reorganization had been completed as at the beginning of the periods presented and the business activities had been conducted by the Company throughout the periods presented.

The principal accounting policies adopted in preparing the unaudited results conform to Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong. Significant inter-company transactions and balances among the Predecessor Entities have been eliminated on combination.

2. Revenues

Revenues include sales of embedded system products, mainly the GPS application system, network security products, ASIC, smart card application system and wireless fire alarm system after deducting the applicable sales taxes.

3. Taxation

Enterprise income tax

No provision for PRC enterprise income tax (“EIT”) was provided as the Company is currently under the tax holiday period. The Company, being located in the New Technology Industrial Development Experimental Zone (“NTIDEZ”) in Beijing and registered as a New and High Technology Enterprise, is entitled to a reduced EIT rate of 15% and a tax holiday of three years full exemption from EIT starting from the first operating year, followed by a 50% reduction from the fourth to sixth year.

No provision for Hong Kong profits tax was made as the Company had no profits subject to Hong Kong profits tax.

As at 30 September 2000, there were no significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, which would result in deferred taxation.

Value-added tax (“VAT”)

Under the “Provisional Regulations of the People’s Republic of China on Value-added Tax”, the Company is subject to output VAT levied at the rate of 17% on the sales or transfer of tangible goods in the PRC, provision of processing, repairs and replacement services. Input VAT paid on purchases can be used to offset the output VAT levied on operating revenue to determine the net VAT payable.

Business tax (“BT”)

The Company is subject to BT on the provision of maintenance, support and training services in the PRC. The BT rate is 5% on gross revenues.

4. Earnings per share

The calculations of the basic earnings per share for the three months and nine months ended 30 September 2000 were based on the unaudited net profit attributable to shareholders of RMB6,968,773 and RMB16,351,571 (1999 : net loss of RMB1,018,783 and RMB4,038,588) respectively, and the weighted average of 88,443,478 shares and 76,192,701 shares (1999 : 70,000,000 shares and 70,000,000 shares) issued, respectively, as a result of the Reorganization in April 2000, as if those shares had been in issue since 1 January 1999.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (1999: Nil)

BUSINESS REVIEW

Introduction

The Company has achieved a stable and sustained growth in the operational results of the third quarter of this financial year. For the three months ended 30 September 2000, the Company has accomplished a revenue of RMB14,110,171 and a profit margin of RMB6,968,773. This represented a growth of 2.4 times in total revenue as compared to the same period in the previous year. With the rapid development of the Company's embedded system technology and hence having a powerful support to its related products and applications, the market competitiveness of the Company's products was also enhanced.

The Company's products and technology continued to maintain a leading position in the domestic market. Meanwhile, the intensified marketing activities and improved management brought a substantial improvement in the financial conditions.

1. Embedded System

Software

The Company has completed an internal survey and analysis on the application of embedded system and hence defined the application scope of embedded system. The Company has also completed an evaluation on the instruction processing system for developing embedded software, which confirmed the developing platform of embedded software.

Hardware – Embedded Microprocessor

The Company has commenced the core technology study, especially in the design and technological research on system level low power consumption and the testability techniques of key module in embedded microprocessor. In addition, the Company completed the logic design of embedded microprocessor system compatible with specific CPU system and commenced the layout design.

Hardware – ASIC

During this period, the Company completed the research and development of Barrel Shifter, D/A, SRAM, ALU.

2. Product development

Security ICs

The Company conducted the logic design of the second generation of Security ICs.

Network Security Products

The Company has engaged in the development of security tunnel technology. The Company completed the development of the first edition of virtual private network (“VPN”). The Company has lately introduced the application of encryption card in VPN for encryption and decryption and proceeded with the development of related key consultation and management programme.

The Company has completed the development of JB-FW Gateway Firewall products and the products have been sent to the Public Security Bureau in Shanghai for testing. The Company has completed the development of e-mail filter system and is testing the functions of the system and proceeding to the system-testing period.

Smart Card Application System

The Company has conducted research and development in smart card networking application system, technology relating to remote registration system, smart card charging terminal, smart card attendance recording terminal and financial management system. Currently, these smart card application systems have been widely used in smart card sales systems such as Xiamen Zaishengren smart card sales system, and have been applied by other universities in the PRC such as Hua Zhong Polytechnic University and Capital Normal University. The Company has also conducted the research and trial production on electric label – a special smart card in logistics management system.

GPS Application System

The Company has completed the application of GSM, GPS, GIS and frequencies applicable in Beijing for use in Beijing Vehicles Dispatching System and technically prepared for the system integration preceding technologies. The Company also has conducted the requirement analysis on GPS Application System for use in taxis. The Company also proceeded with the development of software in dispatching center.

WFAS

The Company has completed the development and installation of “Urban Fire Automatic Alarm System” and “119 Urban Fire-fighting Control System” in Haikou, Hainan Province. The Company also completed the hardware design and conducted testing of software.

3. Production

Security ICs

The Company has completed the packaging of 12,000 pieces of first generation Security ICs and the testing on 1,000 pieces of Security ICs during this period.

Network Security Products

The Company has produced 20 sets of JB-SG2 Network Security Gateway and 70 sets of security gateway firewall products.

Smart Card Application System

The Company has commenced a small-scale production of Security Smart Card Application System and has proceeded with the production of existing Smart Card Application Systems.

GPS Application System

The Company has completed the trial production of JB-420M sample products and the production of 600 sets of JB230M GPS Application System.

WFAS

The Company has commenced the manufacturing of 10 sets of second-generation WFAS products and has proceeded with the production and assembling of its first generation of WFAS products.

4. Relevant approvals and permits

Security ICs

Currently, the Company is applying to the State Cryptography Control authorities for approval for production of its second generation of Security ICs products.

Network Security Products

In addition to role-base authentication software and e-mail filter software which requires no approvals from related government authorities, the Company has obtained the sales permit from the Ministry of Public Security for specific network security gateway.

Smart Card Application System

Currently, no approval or permit is required for existing smart card application system products.

GPS Application System

The Company endeavours to obtain the product approval from the Ministry of Information Industry Wireless Management Authority for its second generation of GPS Application System.

WFAS

The Company has submitted its second-generation WFAS products to Shenyang Fire Protection E-Product Intendence Proof-test Centre and Nation Fire Protection Quality Intendence Proof-test Centre for proof-test and acceptance.

Marketing

The Company has signed agreements with over thirty-three regional sales agents. The Company has also completed the reorganization and establishment of technology and marketing centers in Beijing.

During this quarter, the Company attended a number of conferences related to information technology industry which provided the Company the opportunities for technological advancement and also direct contacts with potential customers. These included the Network Information Security Working Conference jointly sponsored by Nanjing Public Security Department and Security Bureau, China Petroleum Industry Information Computerization Working Conference held in Lanzhou, Network Information Security Discussion organized by the Secretary Bureau of the State Council in Yunnan, Network Information Security High-level Discussion hosted by the Information Industry Ministry in Beijing and World Computer Conference sponsored by China Computer Society, Banking and Financial Electronic Modernization Forum in Beijing hosted by the People's Bank of China, System Security Working Conference hosted by Hunan Security Bureau, and Senior Government Officials Information Security Discussion held in Beijing.

RESEARCH AND DEVELOPMENT CENTER IN SHENZHEN

The Company intends to purchase a land for building a research and development center in Shenzhen. The construction plan and design of the research and development center in Shenzhen are under review by relevant government authorities.

The Company has been actively communicating with the municipal government and High & New Technologies Industry Office to strive for a more favorable location.

FUTURE PROSPECTS

With the rapid development of Information Technology Industry, especially the Internet, the Company expects that market demand for new generation network security products will also surge. In the future development of network security products, in addition to the established security tunnel technology, the Company will also conduct research and development in application specific gateway for use in areas such as securities trading system, tax collection and other purposes. Due to the gradual opening-up of China's securities market and the proposed establishment of China's second board securities market, network security products are expected to be the major source of the Company's revenue in future.

In early October this year, the Company obtained approval from China State Cryptography Control Authorities Office as a designated company for the manufacturing commercial cryptographic products. In this respect, the Company is credited by its advantage and status in commercial cryptographic product, both in relation to manufacture of and technical development. The Company will gradually develop and conduct trial production of a new generation commercial of cryptographic products.

In November this year, the Company will attend the Second International Computer Infosecurity China 2000 Exhibition and the International Exhibition on Public Safety, Security, Fire Control and Police Equipment. The Company believes that participation in such kind of international exhibitions will help to enhance brand name awareness of the Company's products, arouse interest and deeper understanding of potential customers and other companies in the same industry.

In respect of research and development of embedded technology, the Company will employ more technical talents to further strengthen the Company's research and development team and strive to become a leader among the industry.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 September 2000, except for those shares held through Heng Huat Investments Limited ("Heng Huat") as set out below, none of the Directors and the supervisors of the Company (the "Supervisors") or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations, if any, pursuant to section 29 of the SDI Ordinance.

Heng Huat

Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue, all executive Directors of the Company, are trustees holding 60, 20 and 20 shares out of 100 shares in the issued share capital of Heng Huat. Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue are also directors of Heng Huat.

By a Declaration of Trust made as a deed on 19 July 2000, Mr. Xu Zhen Dong, Prof. Zhang Wan Zhong and Prof. Liu Yue declared that they held the shares of Heng Huat as trustees for the benefits of 477 employees of the Jade Bird Group and the Company. Heng Huat and Gameraian Limited are the two shareholders beneficially entitled to approximately 93.37% and approximately 6.63% respectively in the issued share capital of Dynamic Win Assets Limited ("Dynamic Win").

The beneficial interests of the Directors and Supervisors in the share capital of the Company are deemed as follows:

<u>Director/Supervisor</u>	<u>Type of interests</u>	<u>Number of Shares</u>	<u>Percentage of deemed beneficial interest in the Company's share capital</u>
Mr. Xu Zhen Dong	Other	7,687,414	7.97%
Mr. Zhang Wan Zhang	Other	2,173,224	2.25%
Ms. Liu Yue	Other	2,173,224	2.25%
Mr. Xu Zhi Xiang	Other	808,650	0.84%
Mr. Chen Zhong	Other	808,650	0.84%
Prof. Yang Fu Qing	Other	1,212,975	1.26%
Prof. Wang Yang Yuan	Other	1,212,975	1.26%
Mr. Zhang Yong Li*	Other	404,325	0.42%
Mr. Li Chun*	Other	33,668	0.03%
Mr. Fan Yi Min*	Other	15,160	0.02%

* Supervisors

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the nine months ended 30 September 2000, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30 September 2000, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2000, the only persons directly or indirectly entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of the Company, or otherwise interested in 10% or more of the issued share capital of the Company were as follows:

<u>Shareholder</u>	<u>Number of Promoters Shares</u>	<u>Approximate effective interests_ in the Company</u>
Peking University (Note 1)	22,134,535	22.96%
Beijing Beida Jade Bird Software System Company ("Jade Bird Software") (Note 2)	13,634,535	14.14%
Dynamic Win (Note 3)	22,000,000	22.82%
Heng Huat (Note 3)	20,541,400	21.31%

Notes :

(1) Peking University, through Jade Bird Software, Jade Bird, Yu Huan and Beijing Tianqiao, has effective interests in the Company comprising :

- (a) 8,500,000 shares (representing approximately 8.82% of the Company's issued share capital) held by Yu Huan, which is beneficially wholly-owned by Peking University;
- (b) 11,000,000 shares (representing approximately 11.41% of the Company's issued share capital) held by Jade Bird Software, which is beneficially wholly-owned by Peking University;
- (c) 1,840,000 shares (representing approximately 1.91% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Peking University;
- (d) 794,535 shares (representing approximately 0.82% of the Company's issued share capital) held through Beijing Tianqiao, which is approximately 10.60% owned by Peking University.

(2) The interests of Jade Bird Software comprises :

- (a) 11,000,000 shares (representing approximately 11.41% of the Company's issued share capital) held by Jade Bird Software;

- (b) 1,840,000 shares (representing approximately 1.91% of the Company's issued share capital) held through Jade Bird, which is approximately 46% owned by Jade Bird Software;
- (c) 794,535 shares (representing approximately 0.82% of the Company's issued share capital) held through Beijing Tianqiao, which is approximately 10.60% owned by Jade Bird Software.
- (3) Dynamic Win is a limited liability company incorporated in Hong Kong under the Companies Ordinance, the shareholding of which is held as to approximately 6.63% by Gameraian Limited and approximately 93.37% by Heng Huat. Gameraian Limited is a wholly owned subsidiary of New World CyberBase Limited, which is a company whose shares are listed on the Main Board of the Stock Exchange. Heng Huat is a company incorporated in the British Virgin Island, the entire issued share capital of which is held by three of the executive directors of the Company as trustees for the benefits of the qualified employees of the Jade Bird Group and the Company.

SPONSOR'S INTEREST

As at 30 September 2000, the Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), its directors, employees or associates, did not have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

Pursuant to the Sponsor's agreement dated 19 July 2000 between the Company and Tai Fook, Tai Fook received a fee for acting as the Company's retained sponsor for the period from 27 July 2000 to 31 December 2002.

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.

YEAR 2000 COMPLIANCE

Year 2000 has already begun and the Company so far has not experienced any technical failure caused by possible Year 2000 problem and all its computer-related operations remain intact. After the commencement of the year 2000, the Company remains alert to any possible Year 2000 failures and the Company's computer system is closely monitored so that any Year 2000 problems will receive immediate response thereby ensuring the steadiness and safety of the Company's computer system.

AUDIT COMMITTEE

The Company established an audit committee on 5 July 2000 with terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Company. The Audit Committee has two members namely, the two independent non-executive Directors, Ms. Liu Yong Ping and Prof. Nan Xiang Hao.

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

For the nine months ended 30 September 2000, the Company did not purchase, sell or redeem any of the Company's H shares.

By order of the Board
Xu Zhen Dong
Chairman

13 November 2000, Beijing, the PRC

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