



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)

## **FIRST QUARTERLY RESULTS ANNOUNCEMENT**

**For the period ended 31 March 2004**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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## RESULTS

The board of directors (the “Directors”) of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “Company”) and its subsidiaries (the “Group”) is pleased to announce the unaudited consolidated operating results of the Group for the three months ended 31 March 2004 together with the unaudited comparative figures for the corresponding period in 2003 as follows :

	Notes	For the three months ended	
		31 March 2004 RMB'000	31 March 2003 RMB'000
Turnover	2	22,212	45,546
Other revenue and gains	3	289,223	315
Operating expenses:			
Materials and equipment		(17,560)	(39,935)
Employee costs		(5,331)	(4,603)
Depreciation of property, plant and equipment		(467)	(947)
Amortisation of goodwill and intangible assets		(1,472)	(1,600)
Other operating expenses		<u>(2,766)</u>	<u>(1,848)</u>
Total operating expenses		<u>(27,596)</u>	<u>(48,933)</u>
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>		<b>283,839</b>	<b>(3,072)</b>
Finance income / (costs)			
Interest income		508	722
Interest expense		(2,875)	(3,903)
Exchange gain/ (loss)		<u>(1,288)</u>	<u>525</u>
Profit/(loss) before tax		280,184	(5,728)
Tax	4	<u>-</u>	<u>-</u>
Profit/(loss) before minority interests		280,184	(5,728)
Minority interests		<u>1,236</u>	<u>902</u>
Profit/(loss) attributable to shareholders		281,420	(4,826)
Retained earnings, beginning of period		<u>83,421</u>	<u>77,503</u>
Retained earnings, end of period		<u>364,841</u>	<u>72,677</u>
Earnings/(loss) per share - basic (RMB cents)	5	<u>25.5</u>	<u>(0.5)</u>

## 1. Principal Activities and Basis of Presentation

The Group is principally engaged in the research, development, production, marketing and sales of embedded systems, including network security products, wireless fire alarm systems, application specific integrated circuits, Global Positioning System application systems, smart card application systems, remote automatic meter-reading systems and related products. The Group is also engaged in the sales of computer products and the provision of total solution services through application of its existing embedded system products.

The principal accounting policies adopted by the Group conform to Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

## 2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered, net of sales surtaxes. All significant intra-group transactions have been eliminated on consolidation.

	For the three months ended	
	31 March 2004	31 March 2003
	RMB'000	RMB'000
<u>Turnover</u>		
Sales of embedded systems and related products	20,721	14,213
Sales of computer products	893	31,333
Provision of total solution services	598	-
	<u>22,212</u>	<u>45,546</u>

## 3. Other Revenue and Gains

	For the three months ended	
	31 March 2004	31 March 2003
	RMB'000	RMB'000
Gain on disposal of shares investment (a)	289,214	-
Rental income	-	315
Others	9	-
	<u>289,223</u>	<u>315</u>

(a) In March 2004 Semiconductor Manufacturing International Corporation ("SMIC") issued a prospectus in relation to the global offering of its shares. In this connection, the Group disposed part of its shares investment in SMIC of 156,842,000 shares with a gain of RMB289,214,000. After the disposal, the Group still holds 383,163,400 ordinary shares in SMIC, representing approximately 2.1% of the issued share capital of SMIC.

#### **4. Taxation**

Hong Kong profits tax has not been provided as the Group has no assessable profits arising in Hong Kong during the period (2003 : Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof. No profits tax or income tax has been provided for the three months ended 31 March 2004 (2003 : Nil).

There was no material unprovided deferred tax for the period ended 31 March 2004 (2003 : Nil).

#### **5. Earnings/(loss) per share**

The calculation of earnings per share of RMB25.5 cents (2003 : loss per share of RMB0.5 cents) for the three months ended 31 March 2004 was based on the profit attributable to shareholders of approximately RMB281,420,000 (2003 : loss attributable to shareholders of approximately RMB4,826,000) and on the weighted average number of 1,104,000,000 shares (2003 : 964,000,000 shares) in issue.

#### **INTERIM DIVIDEND**

The Directors proposed an interim dividend of RMB1 cent per share (2003: Nil) for both Promoters' Share and H Shares, totaling approximately RMB 11,040,000 (2003: Nil), for the 3 months ended 31 March 2004. The proposed dividend is subject to approval by the Company's shareholders in the special general meeting to be held on 30 July 2004. It is intended that the dividend will be payable on or before 31 August 2004 to holders of Promoters' Shares and H Shares whose names appear on the register of members of the Company at 4:00 p.m. on 29 June 2004.

Dividend per share for the 3 months ended 31 March 2004 was calculated on the proposed dividends of approximately RMB 11,040,000 divided by the number of 1,104,000,000 shares in issue as at 31 March 2004.

#### **CLOSURE OF H SHARES REGISTER**

The H shares register of shareholders of the Company will be closed from 30 June 2004 to 30 July 2004 (both days inclusive), during which no transfer of H shares will be effected.

#### **FINANCIAL REVIEW**

##### ***Turnover***

The unaudited consolidated turnover of the Group for the three months ended 31 March 2004 amounted to RMB22,212,000, representing a decrease of RMB23,334,000 or 51% as compared to the corresponding period last year.

The decrease in turnover was due to the decrease in sales of computer products.

For the three months period ended 31 March 2004, the turnover from the sales of embedded system products and related products and sales of computer products were approximately 93% and 4% respectively.

The first quarter is usually the slack season of the Group's business. Most of the major total solution services projects are carried out in the second half of each year.

### ***Operating Profit***

The operating profit of the Group for the three months ended 31 March 2004 amounted to RMB283,839,000 (2003 : operating loss of RMB3,072,000). The significant increase in profit was attributed to the gain on disposal of part of its shares investment in SMIC in March 2004 which was amounted to RMB289,214,000.

### ***Profit Attributable to Shareholders***

The profit attributable to shareholders and earnings per share of the Group for the three months ended 31 March 2004 were RMB281,420,000 and RMB25.5 cents respectively.

## **BUSINESS REVIEW**

### ***Network Security Products***

The Group has completed the research and development of the technology of VLAN firewall module and H323 firewall module. The Group is now developing the technology of content filtration module. The Group has completed 23 sets of Beida Jada Bird net gate firewall JB-FW1/100M and 7 sets of net gate firewall JB-FW1/1000. The Group has also completed the state electricity remote VPN network project for the State Electricity Bureau and the technology and tools for the discovery of information system security defects based on attack and verification project for PRC Science Technology Department.

Wuhan Beida Jade Bird Netsoft Company Limited (Jade Bird Netsoft), a subsidiary of the Group, has completed the research and development of network flow system analysis software and related technology and multilayers (module) network management system. It is developing the technology for simple network management protocol development platform (SNMP API) series No.1 SNMP manager API, series No.2 SNMP Agent API. It is developing the network management platform system software Net Sure Expert 5.2 enhancement version products. During the period Jade Bird Netsoft has completed the electronic government affairs network and system control project for the Beijing Municipal Planning Committee and Hubei Province digital television broadcasting management and control system engineering for Hubei Provincial Television Broadcasting Network Limited Company. It also signed an agreement with China Threegorges University for the project of campus network management system.

### ***Wireless Fire Alarm System***

The Group has completed the research and development of wireless internet interface transfer technology and is developing DLI 3240 interface agreement technology. The Group has completed the research and development of DFP-16 control connection products and is developing ancillary micron control units with a German Company. The Group has produced 2 sets of DFP-16 control unit.

### ***Security ICs***

The Group has signed GBI sales agreements with Xiamen Hengxin Wangyuan Telecommunication Technology Limited Company and Guangzhou Jiayi Electronic Technology Limited Company. The Group has signed original components sales agreement with Beijiang Jiasheng Lianqiao Information Technology Limited Company. The Group has also signed Flash sales agreement with Shenzhen Yongsheng Telecommunication Limited Company

## **GOVERNMENT APPROVAL**

The Jade Bird net gate firewall JB-FW1 has been certified by the PRC Liberation Army Information Security Assessment Certification Centre on 29 January 2004.

## **MARKETING ACTIVITIES**

Jade Bird Netsoft has held a press conference relating to network management software on 29 March 2004 to announce the products development, production and promotion to the press and introduce products to its working partners. The products has been used by the communication team of Liberation Army for testing and was promoted and reported by the press.

## **OUTLOOK**

The Group plans to develop mails and virus filtration module and to improve the performance of firewall.

Jade Bird Netsoft will continue to use its technology advantages to improve the techniques of its software products, to enlarge its operation and market share. It plans to develop simple network management protocol development platform (SNMP API) series No.3 SNMP Proxy Agent API technology. It plans in the coming year to enhance the enterprise version of network management software and complete the telecommunication version of network management software. It also plans to increase the sales activities nationwide, build up the brand name, enlarge its market share to replace imported products and sell the telecommunication version of network management software to the telecommunications industry.

## **DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 31 March 2004, the interests and short positions of the directors and supervisors 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")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules, were as follows:

*Long positions in ordinary shares of the Company:*

Name of director	Note	Number of shares held, Capacity and nature of interest Beneficiary of a trust	Approximate percentage of the Company's total issued domestic share capital	Approximate percentage of the Company's total issued share capital
1 Mr. Xu Zhen Dong	(a)	220,000,000	31.4	19.9
2 Mr. Xu Zhi Xiang	(a)	220,000,000	31.4	19.9
3 Mr. Zhang Wan Zhong	(a)	220,000,000	31.4	19.9
4 Mr. Liu Yong Jin	(a)	220,000,000	31.4	19.9
5 Mr. Wu Min Sheng	(a)	220,000,000	31.4	19.9
Name of supervisor				
1 Mr. Zhang Yong Li	(a)	220,000,000	31.4	19.9
2 Mr. Dong Xiao Qing	(a)	220,000,000	31.4	19.9

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 approximately 93.37% in the issued share capital of Dynamic Win Assets Limited ("Dynamic Win"), and is taken to be interested in 220,000,000 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 and supervisors 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 Rule 5.40 of the GEM Listing Rules.

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

Save as disclosed above, during the period ended 31 March 2004, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31 March 2004, 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 2004, the following interests of 5% or more of the issued share capital of the Company (except for Beijing Beida Jade Bird Limited which has only 3.6% of 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	Number of share options held
1 Peking University	(a)	Through controlled corporations	310,000,000	44.3	28.1	-
2 Beijing Beida Yu Huan Microelectronics System Engineering Company	(a)	Directly beneficially owned	85,000,000	12.1	7.7	-
3 Beijing Beida Jade Bird Software System Company	(a)	Directly beneficially owned	110,000,000	15.7	10.0	-
4 Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	40,000,000	5.7	3.6	-
5 Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited	(a)	Directly beneficially owned	75,000,000	10.7	6.8	-
6 Heng Huat Investments Limited	(b)	Through a controlled corporation	220,000,000	31.4	19.9	-
7 Dynamic Win Assets Limited	(b)	Directly beneficially owned	220,000,000	31.4	19.9	-
8 New World Cyberbase Limited	(c)	Through a controlled corporation	70,000,000	10.0	6.3	-
9 New View Venture Limited	(c)	Directly beneficially owned	70,000,000	10.0	6.3	-
10. Asian Technology Investment Company Limited		Directly beneficially owned	<u>50,000,000</u>	<u>7.1</u>	<u>4.5</u>	=

Notes:

(a) Peking University is taken to be interested in 28.1% of the total issued share capital of the Company through the following companies:

- (i) 85,000,000 shares (representing approximately 7.7% 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 10.0% of the Company's total share capital) held by Beijing Beida Jade Bird Software System Company, which is beneficially wholly-owned by Peking University;
- (iii) 40,000,000 shares (representing approximately 3.6% of the Company's total share capital) held by Beijing Beida Jade Bird Limited, which is approximately 46% owned by Peking University; and
- (iv) 75,000,000 shares (representing approximately 6.8% of the Company's total share capital) held by Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited, the board of which is controlled by Beijing Beida Jade Bird Limited.

(b) The shares of the Company are held by Dynamic Win Assets Limited, which is 93.37% owned by Heng Huat Investments Limited



(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’ and supervisors’ 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, 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 Group.

## **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, Prof. Nan Xiang Hao and Mr. Ambrose Chin Man Chung for the period ended 31 March 2004. An audit committee meeting was held to review the Group’s first quarterly results and provide advice and recommendations to the board of directors.

## **BOARD PRACTICES AND PROCEDURES**

During the three months ended 31 March 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

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

For the period ended 31 March 2004, the Company did not purchase, sell or redeem any of the Company’s H shares.

By order of the Board  
**Xu Zhen Dong**  
Chairman

Beijing, the PRC, 13 May 2004.

*This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from its date of publication.*