



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)

## **ANNUAL RESULTS ANNOUNCEMENT**

**For the year ended 31 December 2001**

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

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## **ANNUAL RESULTS ANNOUNCEMENT**

**For the year ended 31 December 2001**

### **Highlights**

- **Achieved a turnover of RMB125 million, representing a 105% increase as compared to the previous year**
- **Accomplished a net profit of RMB37.5 million, representing a growth of 21%**
- **Accomplished an earnings per share of RMB3.9 cents**
- **Jade Bird Firewall JB-FW V2.2 has been awarded the “Certificate of Information Security Product” and the “Certificate of Military Information Security Product”**
- **Proposed to invest US\$60 million in Semiconductor Manufacturing International Corporation, a company engaged in the manufacturing and marketing of advanced technology semiconductors in the PRC**
- **Four of the fire control products passed the examinations by the China Certificate Committee for Fire Prevention Products Quality and were granted the ISO9002 Certificate for the Fire Product Safety Certification**

### **CHAIRMAN'S STATEMENT**

The Company has maintained a stable but remarkable results for the year 2001.

In year 2001, the Company's research and development have achieved several technological breakthroughs and also market recognition of the Company's new products. Our network security products have been awarded several national quality certificates. For examples, our Jade Bird Firewall JB-FW V2.2 has been awarded the “Certificate of Information Security Product” by China National Information Security Testing Evaluation and Certification Center and the “Certificate of Military Information Security Product” by People's Liberation Army Information Security Testing Evaluation and Certification Center. These national quality certificates are an encouragement to our research and development and also a recognition of our Company's products.

In addition to the design of application specific integrated circuits, our Company has proposed the investment in Semiconductor Manufacturing International Corporation, a company engaged in the manufacturing and marketing of advanced technology semiconductor. The management believes that such investment would ensure the Company a stable supply of the integrated circuits at a competitive price and provide the Company a good opportunity to invest in the advanced semiconductor industry in China.

The Company's GPS 230M product has also been upgraded to 350M. The GPS 350M technology would be applied to the monitored security systems in various major southwestern provinces, including Chongqing, Sichuan, Guizhou, and Yunnan. The Company believes that GPS technology would be widely used in the monitoring system market and the scope of its application would also be expanded in the near future.

In view of the depressive economic environment around the world, the management anticipates that year 2002 would be another difficult year for the industry. Nevertheless, since the high-tech industry is still developing in the PRC market, there is a great demand for the high technology products. Together with China's entry to the World Trade Organization, there would be a lot of business opportunities for the high-tech industry. The board of directors, the management, the research and development team and the sales force and other employees would strive to achieve a better result in year 2002.

## RESULTS

The Directors have the pleasure of presenting the audited consolidated results of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2001, together with the comparative figures for the year ended 31 December 2000, as follows:

	Note	2001 RMB'000	2000 RMB'000
Turnover	2	124,617	60,843
Other revenue	2	1,260	893
Operating expenses:			
Materials and equipment		(51,904)	(15,783)
Employment costs		(17,876)	(10,817)
Depreciation of fixed assets		(4,235)	(2,960)
Amortisation of goodwill		(875)	-
Other operating expenses		(15,170)	(7,626)
Profit from operations		35,817	24,550
Interest income	2	12,265	6,726
Interest expense		(11,228)	-
Exchange loss		(286)	(209)
Profit before taxation and minority interest		36,568	31,067
Taxation	3	-	-
Profit before minority interest		36,568	31,067
Minority interests		942	-
Profit attributable to shareholders		37,510	31,067
Earnings per share – Basic (RMB cents)	4	3.9	3.8

## 1. Organization and basis of presentation

The Company was incorporated as a Sino-foreign joint stock company with limited liability in Beijing, the People's Republic of China (the "PRC") on 29 March 2000. The Company's H shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 July 2000.

The Group is principally engaged in the research, development, production, marketing and sales of embedded systems and computer products, including Global Positioning System application systems, network security products, wireless fire alarm systems, application specific integrated circuits and smart card application systems, and related products. The Group is also engaged in 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 and Revenue

Analysis of turnover and revenue is as follows:

	2001	2000
	RMB'000	RMB'000
Sales of embedded systems and related products	36,956	13,388
Sales of computer products	42,211	-
Provision of total solution services	45,450	47,455
Total turnover	124,617	60,843
Rental income	1,260	893
Interest income	12,265	6,726
Total revenue	138,142	68,462

## 3. Taxation

### (a) Enterprise income tax ("EIT")

The Company, being located in the Beijing New Technology Development Experimental Area and registered as a New and High Technology Enterprise, is subject to the PRC EIT at a rate of 15%. It is exempted from EIT for three years starting from the year ended 31 December 2000, its first operating year, followed by a 50% reduction of EIT from the fourth to the sixth year.

Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited, a 75% owned subsidiary established in Zhuo Lu, Hebei Province, the PRC and registered as a manufacturing enterprise, is subject to the PRC EIT at a rate of 33%. It is exempted from EIT for the first four years starting from its commencement of operations during the year ended 31 December 2001, followed by a 50% reduction of EIT from the fifth to eighth year.

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

(b) Value-added tax (“VAT”)

The Group is subject to VAT in the PRC levied at the rate of 17% on the amount of sales of its products as well as provision of processing, repairs and replacement services in the PRC. VAT paid on the Group’s purchases can be used to offset VAT on the sales amount to arrive at the net VAT payable. In addition, the Group is entitled to refund of actual VAT paid exceeding 3% of the sales amount of certain approved software products.

(c) Business tax (“BT”)

The Group is subject to BT in the PRC on the total solution services in the PRC at a rate of 5% on the related revenue.

#### 4. Earnings per share

The calculation of earnings per share for the year ended 31 December 2001 was based on the profit attributable to shareholders of approximately RMB37,510,000 (2000 – RMB31,067,000) and on the weighted average number of 964,000,000 shares (2000 – 812,721,000 shares) in issue during the year. No diluted earnings per share was presented as there were no dilutive potential ordinary shares outstanding.

#### MOVEMENTS IN RESERVES

	2001			2000	
	Share premium RMB‘000	Statutory reserves RMB‘000	Proposed dividends RMB‘000	Total RMB‘000	Total RMB‘000
<b><u>Company and Consolidated</u></b>					
Beginning of year	251,271	4,664	4,820	260,755	11,379
Effect of the Reorganisation	-	-	-	-	(18,810)
Premium on issuance of H Shares	-	-	-	-	281,964
Share issuance expenses	-	-	-	-	(30,693)
Transfer from retained profit to reserves	-	5,678	-	5,678	12,095
Declaration of dividend	-	-	4,820	4,820	4,820
Payment of dividend	-	-	(4,820)	(4,820)	-
End of year	<u>251,271</u>	<u>10,342</u>	<u>4,820</u>	<u>266,433</u>	<u>260,755</u>

In accordance with the Company’s articles of association, the Directors proposed appropriations of 10% and 5% of net profit to statutory surplus reserve and statutory public welfare fund, respectively. For the year ended 31 December 2001, the appropriations amounted to RMB3,785,000 (2000 – RMB3,109,000) and RMB1,893,000 (2000 – RMB1,555,000) for statutory surplus reserve and statutory welfare fund, respectively.

## SEGMENT INFORMATION

	2001	2000
	RMB'000	RMB'000
<b>(a) Analysis by business segment (consolidated) is as follows:</b>		
<b>Turnover</b>		
Global Positioning System application systems	21,853	22,563
Network security products	33,375	22,043
Wireless fire alarm systems	4,627	6,621
Application specific integrated circuits	12,209	6,287
Smart card application systems	10,342	3,329
Trading of computer products	42,211	-
	124,617	60,843
<b>Profit (Loss) attributable to shareholders</b>		
Global Positioning System application systems	16,657	19,161
Network security products	17,369	6,179
Wireless fire alarm systems	(1,711)	4,775
Application specific integrated circuits	5,082	3,258
Smart card application systems	6,406	(1,005)
Trading of computer products	2,117	-
Unallocated corporate expenses	(9,161)	(7,818)
Interest income	12,265	6,726
Interest expense	(11,228)	-
Exchange loss	(286)	(209)
	37,510	31,067
<b>Depreciation and amortisation</b>		
Global Positioning System application systems	282	394
Network security products	779	279
Wireless fire alarm systems	1,003	55
Application specific integrated circuits	1,823	1,766
Smart card application systems	28	39
Trading of computer products	-	-
Corporate office	1,195	427
	5,110	2,960
<b>(b) An analysis by geographical location (consolidated) is as follows:</b>		
<b>Turnover*</b>		
Mainland China	91,142	60,843
Hong Kong	33,475	-
	124,617	60,843
<b>Profit attributable to shareholders</b>		
Mainland China	36,141	31,067
Hong Kong	1,369	-
	37,510	31,067

\* Turnover by geographical location is determined mainly on the basis of the destination of delivery of merchandise.

## **FINAL DIVIDEND**

The Directors proposed a dividend of RMB0.5 cent per share (2000 – RMB0.5 cent) for both Promoters' Shares and H Shares, totalling approximately RMB4,820,000 (2000 – RMB4,820,000), for the year ended 31 December 2001. The proposed dividend is subject to approval by the Company's shareholders in the annual general meeting to be held on 18 June 2002. It is intended that the dividend will be payable on or before 31 July 2002 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 17 May 2002.

Dividend per share for the year ended 31 December 2001 was calculated based on the proposed dividends of approximately RMB4,820,000, divided by the number of 964,000,000 shares in issue as at 31 December 2001.

## **CLOSURE OF H SHARES REGISTER**

The H shares register of shareholders of the Company will be closed from 18 May 2002 to 18 June 2002 (both days inclusive), during which no transfer of H shares will be effected.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The audited consolidated turnover of the Group for the year ended 31 December 2001 amounted to RMB124,617,000, representing an increase of RMB63,774,000, or a growth of 105% over year 2000.

The Group's profit attributable to shareholders and earnings per share for the year ended 31 December 2001 were RMB37,510,000 and RMB3.9 cents respectively, representing an increase of 21% and 3% respectively.

For the year ended 31 December 2001, approximately 30%, 34% and 36% of the turnover were derived from the sales of embedded system products and related products, sales of computer products and the provision of total solution services respectively.

### **Business Review**

#### ***GPS Application Systems***

The Company has commenced the manufacture of JB-230M GPS systems and has produced one thousand sets of terminal boxes of the system.

The Company has developed its new GPS 350M application system technology and would apply the technology initially in the projects in the southwestern regions in China.

For the year ended 31 December 2001, the turnover and profit contributed from the GPS application systems were RMB21,853,000 and RMB16,657,000 respectively.

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

The superior quality of the Company's JB-FW1 gateway firewall and other network security products, such as high security, large data processing ability, quick speed and user friendly design, has been awarded various certificates from the PRC government authorities. These include China State Cryptography Control Authorities Office ("CSCCAO"), China National Information Security Testing Evaluation and Certification Center ("CNISTEC"), People's Liberation Army Information Security Testing Evaluation and Certification Center ("PLAISTEC") etc. The Company's network security products have been widely used in government departments, financial industry, security brokerages, the police force, army, large and medium sized companies, to safeguard sensitive information.

The Company has also co-operated with certain world leading information security providers to address the diverse requirements of customers. The Company has co-operated with SYMANTEC Co. Ltd. by combining the Company's proprietary firewall, gateway and encryption cards with the SYMANTEC anti-virus software and invasion-detecting systems to form a product package, which has been successfully applied to several technical projects of China Petroleum & Chemical Corporation and China Construction Bank.

For the year ended 31 December 2001, the turnover and profit contributed from the network security products were RMB33,375,000 and RMB17,369,000 respectively.

### ***Wireless Fire Alarm System ("WFAS")***

The Company has continued the development on the existing WFAS products. The Company has established Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited to manufacture professional fire alarm equipment, and thus realizing the integration of wire and wireless fire alarm solutions as well as comprehensive services of product development, manufacture and installation.

For the year ended 31 December 2001, the turnover and loss from the WFAS products were RMB4,627,000 and RMB1,711,000 respectively.

### ***ASIC Products***

The Company has extended the cooperation with domestic science institutes and semiconductor developers in the research and development of microprocessor, ASIC and security ICs.

Based on the existing technologies and research experience and succeeding its development and batch production of the 1<sup>st</sup> generation and the 2<sup>nd</sup> generation security ICs., the Company has developed the 3<sup>rd</sup> generation security ICs. With a proprietary 128-bit block encryption algorithm and embedded EEPROM module, the 3<sup>rd</sup> generation security ICs could be widely applied to commercial information security systems.

For the year ended 31 December 2001, the turnover and profit contributed from the ASIC products were RMB12,209,000 and RMB5,082,000 respectively.

### ***Smart Card Application Systems***

The smart card application systems products ranged from household management systems, logistics management systems to smart card POS application systems and entrance systems, which have been applied in campuses, government branches and enterprises.

For the year ended 31 December 2001, the turnover and profit contributed from the smart card application systems products were RMB10,342,000 and RMB6,406,000 respectively.



## ***Staff***

At present, the Group has employed over 180 employees. Among the employees, 10 of them possess the doctorate degree, 19 of them possess the master degree and 94 of them possess the bachelor degree. In addition, under the current organization structure, the research, development and technical support team has over 113 members.

## **OUTLOOK**

### ***Introduction***

The Company has maintained a dynamic growth in the development of embedded systems in year 2001. As compared with year 2000, the research and development activities, marketing and sales performance and the overall management have become more mature and structured. Currently, the competition within the domestic software industry is severe and would intensify after China entry into the World Trade Organization. The Company would have more opportunities as well as challenges when foreign capital and enterprises enter into the market. Therefore, the Company would leverage its advantages in technologies, human resources, services and market share when dealing with the customers, competitors and the media, and dedicate to enhance brandname awareness and to achieve new accomplishments in year 2002.

### ***Security ICs***

The Company would concentrate the development of ASIC product in its application in information security products and embedded systems. Research on the 4<sup>th</sup> generation chip has achieved a substantial advance. The SoC with 32-bit embedded specific microprocessor and multiple encryption and decryption algorithms has integrated with the information system and the embedded system. For other embedded systems, the Company has launched the development on specific receive/transmit control circuit, which applies a micro-controller and digital-to-analog converter and would be applied in consumer electronics. The Company has commenced the design on USB interface circuit with micro-controller, and planned to complete its design and testing in year 2002. The Company has been actively preparing for the development on low power consumption DSP core and planned to promote the product into the international market.

### ***Investment in SMIC***

In year 2001, the Company has proposed to invest US\$60 million in Semiconductor Manufacturing International Corporation (“SMIC”). SMIC is jointly invested by various pre-eminent financial institutions and strategic industry partners. The total capital funding of more than US\$1 billion would be used for the construction of the advanced wafer fabrication plants in Shanghai for the production of 0.25-micron or below ICs and could be used in various commercial products ranging from mobile phones to laptop computers. At present, SMIC’s production plant in Shanghai has successfully completed trial products of 0.18-micron ICs. Integrated circuits are key components of the Company’s products, therefore the Company believes that the proposed investment in SMIC would help the Company to achieve its business objectives and improve its technology in the design and development of integrated circuits. The Company would also benefit from co-operating with SMIC as such co-operation would enable the Company to enhance the development in advanced integrated circuits for the embedded systems products and maintain a leading position in the industry.

The Company has already invested US\$45 million in SMIC and the investment would be completed upon the Company having obtained the approvals from the relevant PRC approving authorities relating to the investment.

## ***Network Security***

The Company would further improve the performance of its firewall and other network security products, intensify the development on network defense application system, security examination system, information security services and security protection systems. Information security services, including risk evaluation, strategy formulation, system optimization, security alarm and counsel, solution design, would become an important part of the value-added business. The Company also endeavors to expand its market share and turnover by co-operating with strategic partners, large-scale marketing and sales activities, and promoting its professional image in the network security industry. The sales of network security products would be focused on government bodies, financial and taxation institutes, public security organizations and the army.

## ***GPS Application Systems***

With the improvement in technologies and expansion of partnership, the Company is diversifying the application of GPS application systems from traditional vehicle monitor, control and dispatch systems for the transportation industry to logistics distribution systems, navigation systems and other new products. The Company has noted the emerging demands for GPS products during the upgrade of information management systems in small and medium cities, and the construction and development of transportation dispatching centers and logistics distribution centers. Thus the Company would strengthen the communications with the relevant government authorities and customers, and strive to establish markets in Guangdong, Sichuan and other southwest provinces.

## ***WFAS System***

The Company has planned to commence the Beijing Fire Alarm project in year 2002, and would strive to apply the Company's WFAS system in two to three major cities during the reform of national fire alarm system. For technological innovation, the Company has been trying to integrate the internet information transmission platform into the traditional wireless communication platform, and to change the one-station control center into the mode of multi-station control centers.

The Company's subsidiary, Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited, would further increase the Company's manufacture capacity by introducing the Surface Mounting Technology ("SMT") equipment, and continue the development in the WFAS system in Zhongnanhai project, color LCD controller, loop sensor and fire extinguish controller. In order to obtain more government supports and enjoy the favorable policies, the Company has submitted the application to the relevant government authority for obtaining the status of "Hebei New Technology Enterprise". For sales of fire alarm devices, the Company has contracted with sales agents in over twenty provinces including Hubei, Guangdong and Shandong provinces, and has cooperated with four OEM partners. In year 2002, the Company would commit more resources to expand the sales network of WFAS system.

## ***Conclusion***

The Group would continue to adjust and expand its product applications, to increase its profitability by reinforcing the internal management, reducing costs and making better use of capital. In future, the Group would recruit more engineers to enhance its technological innovations, and to achieve a satisfactory return to our shareholders and staff members in the coming year.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives as stated in the Prospectus	Actual business progress up to the end of 31 December 2001
<b>1. Embedded Systems</b>	
<b>1.1 Software</b>	
Conduct testing and reevaluation of experimental model	Based on the analysis and study of the application of embedded system, the Company has completed an evaluation on the instruction processing system for developing embedded software, and confirmed the development platform of embedded software.
Establish a small scale reusable embedded system software library	The Company has conducted testing on the experimental model of small-scaled reusable embedded system software library and has modified the development platform. Further research and development on this product are under progress.
<b>1.2 Hardware</b>	
<b>1.2.1 Embedded microprocessor</b>	
Complete circuit design including: - research on EEPROM design technology - research on ASIC design methodology	The Company has completed the design and simulation of EEPROM model and has proceeded to the circuit design of embedded EEPROM module. Development on high-level design methodology based on VHDL has been completed and has passed the technological examination.
Complete layout design, trial production and testing on embedded microprocessor	The Company has completed the layout design of 8-bit microprocessor and the FPGA function verification.
Begin real time operation system design	The Company has designed part of the compiling system of the embedded microprocessor.
<b>1.2.2 Hardware – ASIC</b>	
Commerce research on mix signal integrated circuit design technology	The Company has conducted research on mixed signal integrated circuit design technology such as timer circuit design and frequency display circuit design.
Establish a small scale cell/module library	The Company has completed the development on the cell/module libraries of ASIC including full adder, comparator, embedded RAM/ROM, 480 MHz phase locked loop, 8 bit A/D converter and 8 bit embedded microprocessor.
<b>Amount to be financed by the net proceeds from the Placing : RMB14,700,000</b>	<b>Amount utilized by the net proceeds from the Placing : RMB 11,100,000</b>

## 2. Products Development

### 2.1 Security ICs

Complete circuit and layout design of the 3<sup>rd</sup> generation Security ICs

The Company has continued the design and development of the 3<sup>rd</sup> generation Security ICs in cooperation with Jiangnan Computer Technology Institute and Shanghai Huahong Semiconductor Manufacture Company. Such Security ICs apply the 128-bit module encryption algorithm, which has been approved by relevant government authorities, and would be manufactured with the 0.35 $\mu$ m CMOS technology of embedded EEPROM. Both the design and manufacture technologies take lead in the domestic products. At present, the Company has completed circuit layout design and has conducted timer verification for imminent fabrication.

Commence research on smart card technology and complete its technology proposal

The Company has completed technical preparations for development of smart card products and has conducted market research.

### 2.2 Network Security Products

Develop application specific security gateway applicable in areas such as securities trading system and tax collection; Develop security gateway for remote monitoring, e-commerce security gateway and Internet securities trading system

The Company has committed active engagement in the research and development of specific security gateway products and carried out product performance enhancement according to customers' requirements, which includes:

Access control gateway: The Company has designed and released V1.0 edition, setting up new functions such as SJY01 encryption card support and users' group.

JB-FW gateway firewall: The Company has completed the development of Version 3.0 edition which was developed on a new technological core. Most of its modules have been designed and integrated with new functions like state inspection, transparent proxy, remote management, hot back-up and attack prevention..

VPN encryption gateway: Version 1.0 has realized reliable performances and functions. Relevant development on dynamic key management and function enhancement has been conducted.

Network monitor system: New functions such as editing and reporting were established for system optimization.

Network security hardware: The small batch production of SJY01-A, SZD02 and SJY04 encryption cards has been commenced.

SJY01-A encryption card, which could be interfaced into the Company's high-speed encryptor, has passed the review by China State Cryptography Control Authority Office ("CSCCAO") and gained favorable feedback from the trial application by several customers. The newly developed SJY01-B encryption card has adopted the SSP02 specific algorithm chip and has outstanding performance among similar domestic products.

SZD02 terminal certification system: The Company has conducted environmental test on the system and prepared files for technological review. The Company has also cooperated with other companies in the development of Intelligent Terminal Certificate system, which is under the debugging stage. The Company has completed the key management program design for the high-speed encryptor, and finished the flow chart design of the supporting high-speed encryption card.

### **2.3 Smart Card Application System**

Research and develop smart card logistics management system and property management system

In view of the rapid development of logistics management and customer demands, the Company has developed electrical counter label products. The Company has also applied contactless electrical counter label for inventory categorization and index.

Research and develop intelligence household management

To meet the demand for community property management in real estate industry, the Company has developed household management smart card, and continued to promote JBU-CM2000 property management systems. The products would enhance the efficiency of property management in residential area.

Research and develop application specific Smart Card Application System

The Company has actively pushed forward the development of second-generation POS system for financial smart card applications. For electric label product for file and stock management, development of its reading module has been concluded and efforts were focused on the improvement of reading accuracy and centralized management ability.

### **2.4 GPS Application System**

Conduct research on intra-city GPS Application System JB-350M

The Company has extended market survey to estimate the potential demand for GPS JB-350M products, carried out product function definition and research and development feasibility study. Based on the development of GPS JB-350M application system and GSM technologies, the Company would endeavor to achieve compatibility of special network and public network.

Conduct in depth research on the 3<sup>rd</sup> generation GPS Application System JB-350M Examination on our proprietary GPS taxi dispatching system has been concluded. The Company has proceeded to product promotion and marketing stage.

Conduct preliminary testing on cross cities GPS network and trial run on two cities Based on the existing GPS, GIS and GSM public network systems, the Company has commenced research and development on specific GPS products for long distance transportation and resources distribution industries. The product would be characterized by specific programs tailored for each client.

Commerce hardware design and testing on the 3<sup>rd</sup> generation GPS Application System JB-350M and navigation project The Company has conducted feasibility study on JB-350M GPS navigation product and designed ship terminals with full consideration of the complex ocean climate and high saline-alkali degrees. Currently the sample product has been assembled and tested, and the virtual environmental tests have been carried out.

## 2.5 WFAS

Commence study of security wireless alarm system Based on the study of security wireless fire alarm systems, the Company has completed the fire fighting communication and command system project in Haikou.

Commence study of application specific WFAS and security wireless alarm system Concerning regional wireless fire alarm system, the Company has completed the layout design and part of the hardware circuit design. The Company has also carried out market study on the application of specific WFAS in Beijing.

Conduct testing and review on the trial the 3<sup>rd</sup> generation WFAS The Company has conducted testing on the transmitter and receiver of the 3<sup>rd</sup> generation WFAS as well as system testing and review.

Commence requirement analysis of the next generation of WFAS The Company has conducted research on 64-bit linkage regional wireless fire alarm transmitter and receiver, and the regional multi-purpose network terminals.

Commence requirement analysis of integrated wireless security and fire alarm system The Company has commenced study on the technological standards of wireless sensors, and has conducted research on the wireless software platform of fire alarm control center and GIS systems.

**Amount to be financed by the net proceeds from the Placing : RMB17,300,000** **Amount utilized by the net proceeds from the Placing : RMB 16,000,000**

### **3. Production**

#### **3.1 Security ICs**

Commence trial production of the 2<sup>nd</sup> generation ICs      The Company has produced 10,000 2<sup>nd</sup> generation ICs and commenced the sales activities.

Commence trial production of the 3<sup>rd</sup> generation ICs      The Company has completed layout design of the 3<sup>rd</sup> generation ICs and would soon launch trial production.

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

Commence trial production of application specific security gateway applicable in securities trading system; continue production of existing Network Security Products;      The Company has produced totally over 500 sets of JB-FW1 security gateway firewall products and JB-SG2 Network Security Gateway. In addition, the Company has conducted application testing on Jade Bird gateway VPN, user terminal of Jade Bird gateway, SJY01-A encryption card, SZD02 bank terminal certificate card and SJY04 encryption card.

#### **3.3 Smart Card Application System**

Commence trial production of smart card object classification system      The Company has commenced research and development of warehouse container electric label automatic search system. The Company has also designed and produced the material classification system for sports games and such system has been applied in the “Dragon Cup” Asia Iron Man Triathlon Championships held in Xuzhou.

Commence trial production of intelligent household management      The Company has improved the software of intelligent household management systems, and conducted product manufacture, installation and testing in projects such as National Bureau of Statistics, Jinzhou Residential District.

Continue production of existing Smart Card Application System      The Company has continued the development and production of the existing smart card application systems. The Company has installed POS machines in National Patent Bureau and other government authorities, and produced smart card consumption and entrance systems in Nanjing University of Chemical Engineering and other campuses.

#### **3.4 GPS Application System**

Continue full-scale production of 1<sup>st</sup> generation GPS Application System (JB 230M) products      The Company has conducted testing and performance improvement on the 1<sup>st</sup> generation GPS application system (JB230M) and produced one thousand sets of terminal boxes of the system.

#### **3.5 WFAS**

Commence full-scale production of 2<sup>nd</sup> generation WFAS products      The Company has commenced full-scale production of the 2<sup>nd</sup> generation WFAS products.

Commence trial production of the 3<sup>rd</sup> generation WFAS products      The Company has commenced trial production of the 3<sup>rd</sup> generation WFAS products.

Continue full-scale production and assembly of existing WFAS products      The Company has continued the full-scale production and assembly of existing WFAS products, implemented the Zhongnanhai fire alarm project, and continued the development on WFAS products for large scenic gardens, ancient buildings, and other key fire protection companies and housing estates.

Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited has conducted manufacture and sale of JBF-11S fire alarm sensors, assemblage of fire alarm controllers, and completed projects such as Beijing Yindun Building, the residential district of Beijing Telecom, and Kunming Oriental Rose Garden.

#### **4. Relevant approvals and permits**

##### **4.1 Security ICs**

Currently, no approval or permit is required for the 3<sup>rd</sup> generation security ICs.

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

On 9 August 2001, the Company was awarded the “Commercial Cryptographic Products Sales Certificate” by CSCCAO.

The security report of SZD02 bank terminal certificate has passed the examination of CSCCAO.

SJY01-A Data Encryption Card has passed system security review by CSCCAO.

Documents of SJL13 Linkage Data Encryptor have been submitted to CSCCAO for review.

Jade Bird Firewall JB-FW1 (V2.2) product has achieved the following:

- (a) obtained the “Certificate of Information Security Product” by China National Information Security Testing Evaluation and Certification Center (“CNISTEC”) on 26 September 2001;
- (b) passed the security examination by People’s Bank of China and listed as one of the authorized products on 30 October 2001;
- (c) obtained the “Certificate of Military Information Security Product” by People’s Liberation Army Information Security Testing Evaluation and Certification Center (“PLAISTEC”) on 3 December 2001;
- (d) passed the technical examination by CSCCAO and obtained relevant certificate on 4 December 2001;
- (e) passed the GJB151A-97 anti-electromagnetic release national standard examination On 6 December 2001.

On 30 November 2001, Jade Bird Security Gateway JB-SG2 was granted Certificate of Military Information Security Product by PLAISTEC.



### **4.3 Smart Card Application System**

Currently, no approval or permit is required for the existing smart card application system products. Relevant applications will be submitted according to requirements from business development.

### **4.4 GPS Application System**

GPS (230M) vehicle unit has been awarded acceptance quality certificate by the Ministry of Public Security.

The Company was awarded the “Shenzhen Security Technology Safeguard Certificate” by the Security Technology Safeguard Management Office of Shenzhen Public Security Bureau, and was thus qualified to engage in businesses relating to security technologies.

JB-DT1 GPS Vehicle Box was awarded the “Security Technology Safeguard Product Manufacture Certificate” by the Public Security Development of Guangdong Province, and was granted the “Shenzhen Security Technology Safeguard Product Registration Certificate” by the Security Technology Safeguard Management Office of Shenzhen Public Security Bureau.

### **4.5 WFAS**

The Company has submitted the third-generation WFAS products and relevant documents to Shenyang Fire Protection E-Product Intendance Proof-test Centre and Nation Fire Protection Quality Intendance Proof-test Centre for proof-test and acceptance.

In October 2001, four major products developed by Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited, namely JTY-GD-LN2100 dot-type photoelectric smoke detector, JB-TB-JBF-11S fire alarm control unit, JTW-ZD-LN 2110 dot-type fixed temperature detector and JB-QB/LN 1010 fire alarm control unit passed the examinations by the China Certificate Committee for Fire Prevention Products Quality and were granted the ISO9002 Certificate for the Fire Product Safety Certification.

## **5. Marketing activities**

- |            |   |  |
|------------|---|--|
| <b>5.1</b> | Open representative offices and after sales service center in Chengdu   | The Company has established marketing and after sales service branch in Chengdu via agents.  |
| <b>5.2</b> | Establish sales network in Southern China; Commence preparatory activities for future establishment of national product sales agent network | The Company has vigorously explored sales channels and has concluded regional distribution agreements with agents in Chengdu, Wuhan, Shengyang, Beijing, Dalian, Hangzhou, Tianjin, Shenzhen and other regions. The Company has also established alliance with companies such as Ranitel Corporation Beijing, Beijing Rising Technology Company Limited, Beijing Jingyuan Company Limited, Harbin Purui Corporation, Xiamen Sanyou Software Corporation. Recently, the Company has cooperated with companies in Shanxi, Guizhou, Guangdong, Hubei and other provinces in aim to establish a national product sales network and develop partnership with renowned software developers and system integrators. |

Relevant strategies would also be formulated to boost sales growth.

Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited has established sales agents in Anhui, Henan, Jiangsu and Zhejiang provinces to promote its products in the fire alarm market.

**5.3** Participate in professional exhibitions and trade shows in Beijing and Shanghai, and China High-tech Production Fair in Shenzhen

The Company has participated in different kinds of forums and exhibitions concerning the information industry, including:

- (1) China Beijing International High-Tech Industries Week & China Beijing International Sci-Tech Fair and Venture Investment Workshop & Conference during 10 to 15 May 2001;
- (2) China International Software Exhibition and Technology Symposium during 28 to 30 June 2001;
- (3) Beijing New Security Products and Technologies Exhibition sponsored by the Ministry of Public Security during 27 to 30 June 2001;
- (4) The Third China International Computer Information Security Exhibition during 4 to 6 September 2001;
- (5) The Third China International Hi-tech Fair held in Shenzhen from 12 to 17 October 2001. The Company has launched a series of marketing activities and has announced cooperation with Shunde Wanhe Group and Shenzhen Gaoxie Tonglian Technology Limited on the applications of GPS products;
- (6) On 2 December 2001, the Company attended the Shanghai International Information and Network Security Forum sponsored by the Third Institute of the Ministry of Public Security. Experts of the Company were invited to make speeches on the network security technologies;
- (7) The Company has also attended the First Shanghai International Information and Network Security Exhibition during 3 to 5 December 2001.

**5.4** Conduct trade shows, seminars and exhibitions in eastern and southern China, Beijing, Shanghai, Shenzhen and etc.

The Company has also actively participated in industrial seminars, meetings and trade shows, which include:

- (1) China E-commerce Exhibition in Beijing;
- (2) Customer Seminars in Gansu, Shenzhen and Chengdu in relation to customers' needs and demands;
- (3) Network Security Working Conference in Gansu province;
- (4) Product promotion show in Guangzhou;
- (5) Product exhibition hosted by the People's Bank of China;

- (6) Gold Shield Working Conferences organized by the Public Security Department in Xinjiang province and Hebei province respectively;
- (7) 2001 China Financial Technologies and Equipment Exhibition during 16 to 19 September 2001;
- (8) The Third Guizhou Province Fire Alarm Technologies and Innovations Symposium and Applications Exhibition sponsored by the Department of Public Security of Guizhou province during 24 to 30 December 2001.

**5.5** Lobby relevant government bodies with a view to becoming one of the short listed suppliers to bid for government projects

The Company has established cooperative ties with the information security authorities in Jiangsu, Gansu, Hebei , Heilongjiang and Hunan provinces, Xinjiang and Ningxia Hui Autonomous Regions.

JB-FW Firewall has been short-listed as one of the authorized products for the People’s Bank of China, thus laid down a solid foundation for wider applications of network security products in the financial industry.

After intensive communications with Chengdu municipal government and the Transportation Bureau, the Company has successfully undertaken several projects for Information Construction of local transportation management, and would launch extensive engagement in Chengdu transportation industry.

**5.6** Continue the Company’s advertising plan such as placing advertisements in professional magazines

The Company has devoted great emphasis in advertising and other marketing activities to establish the corporate image and to maintain a good relationship with the mass media.

In January 2001, Beijing TV and the Company jointly organized “Jade Bird Universal Cup College Student Network Security Knowledge Contest”;

The Company has advertised Jade Bird security gateway firewall products on a well-known IT magazine “Computer World” for 40 consecutive weeks. In the second half of the year, the network security products and services were advertised on other famous magazines, including “China Computer”, “Financial Electronization”, “Information and Communication Security” etc.

In November 2001, the Company has announced the information relating to the stable performance of the Company’s firewall products and relevant certificates from government authorities on over ten famous journals and newspapers such as “People’s Daily”, “Financial Times”, “Computer World” and “China Computer”.

In April and May 2001, the Company promoted the communication module products on the magazine “Component Express”.

The Company has also advertised the fire alarm products on a professional journal “Huicong Fire Alarm Products Information” and publicized the products via regional distributors.

Through the above-mentioned activities, the Company has enhanced product popularity and brand name awareness in the PRC market.

**Amount to be financed by the net proceeds from the Placing : RMB16,000,000**

**Amount utilized by the net proceeds from the Placing : RMB6,600,000**

## **DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES**

As at 31 December 2001, 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	76,874,140	7.97%
Mr. Zhang Wan Zhang	Other	21,732,240	2.25%
Ms. Liu Yue	Other	21,732,240	2.25%
Mr. Xu Zhi Xiang	Other	8,086,500	0.84%
Mr. Chen Zhong	Other	8,086,500	0.84%
Prof. Yang Fu Qing	Other	12,129,750	1.26%
Prof. Wang Yang Yuan	Other	12,129,750	1.26%
Mr. Zhang Yong Li*	Other	4,043,250	0.42%
Mr. Li Chun*	Other	336,680	0.03%
Mr. Fan Yi Min*	Other	151,600	0.02%

\* *Supervisors*

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

Save as disclosed above, during the year ended 31 December 2001, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31 December 2001, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2001, 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)	221,345,350	22.96%
Beijing Beida Jade Bird Software System Company ("Jade Bird Software") (Note 2)	136,345,350	14.14%
Dynamic Win (Note 3)	220,000,000	22.82%
Heng Huat (Note 3)	205,414,000	21.31%

Notes :

(1) Peking University, through Jade Bird Software, Beijing Beida Jade Bird Limited ("Jade Bird"), Beijing Beida Yu Huan Microelectronics System Engineering Company ("Yu Huan") and Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited ("Beijing Tianqiao"), has effective interests in the Company comprising :

(a) 85,000,000 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) 110,000,000 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) 18,400,000 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) 7,945,350 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 comprise :
- (a) 110,000,000 shares (representing approximately 11.41% of the Company's issued share capital) held by Jade Bird Software;
  - (b) 18,400,000 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) 7,945,350 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 Gamerian Limited and approximately 93.37% by Heng Huat. Gamerian 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 Islands, 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 31 December 2001, none of the Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), its directors, employees or associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Save as disclosed above, Tai Fook (including its directors and employees) and its associates, do not have any interest in the Company as at 31 December 2001.

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.

## **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 year ended 31 December 2001, 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, 28 March 2002

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