



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)*

**(Stock code: 8095)**

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT**

**For the nine months ended 30 September 2004**

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

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### **HIGHLIGHTS**

- Turnover is approximately RMB83,480,000, a decrease of approximately 38% as compared to the corresponding period last year.
- Profit attributable to shareholders is approximately RMB272,230,000.
- Earnings per share is approximately RMB24 cents.
- Interest expense is approximately RMB8,294,000, a decrease of 13% as compared to the corresponding period last year.

### THIRD QUARTERLY RESULTS

The board of directors (the “Board”) 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 nine months ended 30 September 2004 together with the unaudited comparative figures for the corresponding period in 2003 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	2	<b>35,004</b>	47,755	<b>83,480</b>	135,156
Other revenue and gains	3	–	(1)	<b>289,223</b>	1,969
Operating expenses:					
Materials and equipment		<b>(27,640)</b>	(38,916)	<b>(64,862)</b>	(105,653)
Employee costs		<b>(4,042)</b>	(2,507)	<b>(13,327)</b>	(10,986)
Depreciation of property, plant and equipment		<b>(551)</b>	(834)	<b>(1,510)</b>	(2,630)
Amortisation of goodwill and intangible assets		<b>(1,473)</b>	(1,223)	<b>(4,416)</b>	(4,423)
Other operating expenses		<b>(3,838)</b>	(4,745)	<b>(10,619)</b>	(9,181)
Total operating expenses		<b>(37,544)</b>	(48,225)	<b>(94,734)</b>	(132,873)
PROFIT/(LOSS) FROM OPERATIONS		<b>(2,540)</b>	(471)	<b>277,969</b>	4,252
Finance income/(cost)					
Interest income		<b>1,154</b>	641	<b>2,459</b>	1,683
Interest expense		<b>(3,183)</b>	(2,846)	<b>(8,294)</b>	(9,565)
Exchange losses		<b>(420)</b>	–	<b>(1,328)</b>	–
Profit/(Loss) before taxation and minority interest		<b>(4,989)</b>	(2,676)	<b>270,806</b>	(3,630)
Taxation	4	–	–	<b>(112)</b>	–
Profit/(Loss) before minority interest		<b>(4,989)</b>	(2,676)	<b>270,694</b>	(3,630)
Minority interest		<b>129</b>	728	<b>1,536</b>	2,040
Profit/(Loss) attributable to shareholders		<b>(4,860)</b>	(1,948)	<b>272,230</b>	(1,590)
Retained earnings, beginning of period		<b>360,511</b>	77,861	<b>83,421</b>	77,503
Retained earnings, end of period		<b>355,651</b>	75,913	<b>355,651</b>	75,913
Earnings/(Loss) per share – basic (RMB cents)	5	<b>(0.41)</b>	(0.18)	<b>24.00</b>	(0.16)

Notes:

## 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, 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 30 September		For the nine months ended 30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of embedded systems and related products	17,257	30,835	56,202	72,909
Sales of computer products	17,514	16,646	26,434	60,554
Provision of total solution services	233	274	844	1,693
	<u>35,004</u>	<u>47,755</u>	<u>83,480</u>	<u>135,156</u>

## 3. Other revenue and gains

Other revenue and gains for the nine months ended 30 September 2004 represents principally the gain of approximately RMB289,214,000 on disposal of 156,842,000 ordinary shares in Semiconductor Manufacturing International Corporation ("SMIC") in March 2004.

## 4. Taxation

Hong Kong profits tax is charged at the rate of 16% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. 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 nine months ended 30 September 2004 (2003: Nil). The tax charge of approximately RMB112,000 for the nine months ended 30 September 2004 is the underprovided corporate income tax in Mainland China for the last financial year.

There was no material unprovided deferred tax for the nine months ended 30 September 2004 (2003: Nil).

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

The calculation of earnings per share of RMB24.00 cents (2003: loss per share of RMB0.16 cents) for the nine months ended 30 September 2004 was based on the profit attributable to shareholders of approximately RMB272,230,000 (2003: loss attributable to shareholders of approximately RMB1,590,000) and on the weighted average number of 1,134,079,000 shares (2003: 1,008,102,564 shares) in issue.

## **INTERIM DIVIDEND**

The Board of directors (the “Board”) has resolved to propose an interim dividend of RMB1 cent per share for the three months ended 31 March 2004 (2003: Nil). Such interim dividend proposal was duly passed by shareholders at a special general meeting held on 30 July 2004.

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2004 (2003: Nil).

## **FINANCIAL REVIEW**

### **Turnover**

The unaudited consolidated turnover of the Group for the nine months ended 30 September 2004 amounted to RMB83,480,000, representing a decrease of approximately 38% as compared to the corresponding period last year.

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

For the nine months ended 30 September 2004, the turnover from the sales of embedded system products and related products, sales of computer products and the provision of total solution services were approximately 67%, 32% and 1%, respectively, of total sales in the period.

### **Finance Cost**

The unaudited interest expense of the Group for the nine months ended 30 September 2004 was approximately RMB8,294,000, representing a decrease of 13% as compared to the corresponding period last year.

The drop in the interest expenses was mainly resulted from the USD10 million (equivalent to approximately RMB83 million) partial repayment of the bank loans at the beginning the period, through using part of the placing proceeds of 140,000,000 new H shares of the Company at HK\$0.60 each issued in the last financial year.

### **Profit Attributable to Shareholders**

The profit attributable to shareholders and earnings per share of the Group for the nine months ended 30 September 2004 were RMB272,230,000 and RMB24 cents respectively.

The significant increase in profit attributable to shareholders was due to the gain on disposal of part of the Group’s shares investment in SMIC in March 2004 which amounted to RMB289,214,000.

## **BUSINESS REVIEW**

### **Network Security Products**

During the period the Company has completed the development of the firewall systems employing technology attached with IDS features and also completed the development of simplified small scale firewall. The Company is currently developing high speed firewall system. The Company has completed the production of 117 units of JB-FW1/100 and 8 units of JB-FW1/1000 firewall system. The following firewall system sales contracts were entered into during the period with Hainan Public Security Bureau and Changsha Romens Technology Ltd. etc.

During the period Jade Bird Netsoft had completed the research and development of the network management system NetSurexpert 5.3 version with supporting the multi-layer infrastructure technology and also NetSurexpert 5.31 version. Jade Bird Netsoft is currently developing the desktop management function module technology (WMI) and plans to develop NetSurexpert 5.4 version, VLAN and MPLS VPN technology.

During the period Jade Bird Netsoft signed up the network management project or the service agreements with the following: Sinosoft Group Ltd., Wuhan Bluegrid Technology Ltd., Jimen Broadcasting and Television Bureau, Tianjin Boying Technology Development Ltd., China Shipbuilding Industry Ltd. No. 709 Research and Development Institute, Beijing Kongjian Fudian Technology Development Ltd., Hunan Enjoy Information Technology Ltd., Jiangxi Suntek Digital Technology Ltd.

### **Wireless Fire Alarm System**

During the period the Company completed the Shizhi Building Project in Yuelu New District of Changsha City and Hainan Guoshui Mansion Project of Hainan Big Bird Fire Protection Electronics Co., Ltd.. Moreover, the Company signed the wireless fire alarm contracts with Xintandi Apartment Project of Harbin Lanniao Fire Protection Electronics Equipment Co., Ltd. and Lijing Tiancheng Apartment of Sichuan Jinling Electric Ltd..

### **Security ICs**

The Group has recently signed two sales contracts with Datang Micro-electronics Technology Marketing Ltd. Regarding the sales of FLASH, the Group has also signed the contract with Jinan Ruiquan Electronics Ltd.

## **SMIC**

On 28 July 2004, the global leading provider of high density embedded memory solutions, MoSys Inc., and SMIC jointly announced that MoSys' "1T-SRAM-R" technology incorporating Transparent Error Correction was successfully tested in SMIC's 0.13 micron logic process. This extends the existing cooperation between the companies as an additional optimized high-density memory solution which is now available to SMIC's foundry customers. "1T-SRAM-R" embedded memory technology continues to demonstrate its exceptional scalability and portability, while improving yields, Soft Error Rate (SER) and reliability.

On 27 August 2004, SMIC announced the successful development of 0.18 um – 30V to 40V high voltage ("HV") CMOS device and process technology. This will enable SMIC to offer 0.18 um CMOS based single-chip LCD HV driver technology in the rapidly growing mobile telecommunication market. This new process technology will provides competitive device performance suitable for small size, low-power consumption single-chip LCD HV driver application. We believe that this key technology achievement will position SMIC at the frontline of this technology area. The technology can be used for mobile phones and other applications in the communication market and support the global and domestic customers to accelerate their penetration of the new-generation LCD driver market.

On 25 September 2004, SMIC's first twelve inch fab, Fab 4, in Beijing successfully commissioned its production and kicked off its operation era.

## **MARKETING ACTIVITIES**

During the period the Company has participated in the National Commercial Cryptography Exhibition organized by China State Cryptography Control Authority Office.

The Company's subsidiary, Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited which is engaged in the wireless fire alarm system business, has launched its own web-site in July 2004 as its platform for expanding its robust growing businesses.

## **GOVERNMENT APPROVALS AND AWARDS**

In October 2004, Jade Bird Netsoft's NetSurexpert network system synthesis management platform was awarded the "Golden Software Price" jointly presented by China Electronic Center of Information Industry Development Research Institute and China Software Industry Association.

## OUTLOOK

As fueled by the award of the “Golden Software Price” as set out in the previous paragraph, Jade Bird Netsoft is confident to explore new distribution channels in the Mainland China. Recently, Jade Bird Netsoft strengthened its distribution areas by adding the new outlets in Zhenzhou, Harbin and Jinan. It plans to enrich its coverage through penetrating into the South-west and North-west region of the Mainland China.

The Group continuously reallocates its resources towards implementing proactive and prudent strategies that would procure optimal growth potential in target market sectors in the long-term perspective. These included efforts to continuously establish strategic market relationships with distributors and resellers in significant geographical markets in order to extend the Group’s national distribution network. In terms of target vertical markets, the Group continued to explore and drive penetration into the government, education, healthcare, retail, small, medium and large enterprise sectors.

## DIRECTORS’ AND SUPERVISORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 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:

			<b>Number of shares held, capacity and nature of interest beneficiary of a trust</b>	<b>Approximate percentage of the Company’s total issued domestic share capital</b>	<b>Approximate percentage of the Company’s total issued share capital</b>
	<i>Note</i>				
<b>Name of director</b>					
1.	Mr. Xu Zhen Dong	(a)	220,000,000	31.43	18.57
2.	Mr. Xu Zhi Xiang	(a)	220,000,000	31.43	18.57
3.	Mr. Zhang Wan Zhong	(a)	220,000,000	31.43	18.57
4.	Mr. Liu Yong Jin	(a)	220,000,000	31.43	18.57
5.	Mr. Wu Min Sheng	(a)	220,000,000	31.43	18.57
<b>Name of supervisor</b>					
1.	Mr. Zhang Yong Li	(a)	220,000,000	31.43	18.57
2.	Ms. Dong Xiao Qing	(a)	220,000,000	31.43	18.57



*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 nine months ended 30 September 2004, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30 September 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 30 September 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 3.38% 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	44.28	26.16	–
2	Beijing Beida Yu Huan Microelectronics System Engineering Company	(a)	Directly beneficially owned	85,000,000	12.14	7.17	–
3	Beijing Beida Jade Bird Software System Company	(a)	Directly beneficially owned	110,000,000	15.71	9.28	–
4	Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	40,000,000	5.71	3.38	–
5	Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited	(a)	Directly beneficially owned	75,000,000	10.71	6.33	–
6	Heng Huat Investments Limited	(b)	Through a controlled corporation	220,000,000	31.43	18.57	–
7	Dynamic Win Assets Limited	(b)	Directly beneficially owned	220,000,000	31.43	18.57	–
8	New World CyberBase Limited	(c)	Through a controlled corporation	70,000,000	10.00	5.91	–
9	New View Venture Limited	(c)	Directly beneficially owned	70,000,000	10.00	5.91	–
10	Asian Technology Investment Company Limited		Directly beneficially owned	50,000,000	7.14	4.22	–

*Notes:*

- (a) Peking University is taken to be interested in 26.16% of the total issued share capital of the Company through the following companies:
- (i) 85,000,000 shares (representing approximately 7.17% of the Company's total share capital) held by Beijing Beida Yu Huan Microelectronics System Engineering Company, which is beneficially wholly-owned by Peking University;
  - (ii) 110,000,000 shares (representing approximately 9.28% of the Company's total share capital) held by Beijing Beida Jade Bird Software System Company, which is beneficially wholly-owned by Peking University;
  - (iii) 40,000,000 shares (representing approximately 3.38% 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 6.33% 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 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. As at 30 September 2004, the Audit Committee has two members namely, the two independent non-executive directors, Professor Nan Xiang Hao and Professor Chin Man Chung, Ambrose.

## **BOARD PRACTICES AND PROCEDURES**

During the nine months ended 30 September 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

For the nine months ended 30 September 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, 12 November 2004

*As at the date of this announcement, Mr. Xu Zhen Dong, Mr. Xu Zhi Xiang and Professor Zhang Wan Zhong are executive directors, Mr. Lo Lin Shing, Simon, Mr. Liu Yong Jin, Mr. Hao Yi Long, Mr. Wu Min Sheng and Mr. Li Li Xin are non-executive directors and Professor Nan Xiang Hao and Professor Chin Man Chung, Ambrose are independent non-executive directors.*

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