



青鸟环宇
JADE BIRD UNIVERSAL

北京北大青鸟环宇科技股份有限公司
Beijing Beida Jade Bird Universal Sci-Tech Company Limited

INTERIM REPORT
FOR THE PERIOD
ENDED 30 JUNE 2001



北京北大青鸟环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)

INTERIM RESULTS
FOR THE PERIOD ENDED 30 JUNE 2001

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This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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)

INTERIM RESULTS
For the period ended 30 June 2001

HIGHLIGHTS

- Achieved a turnover of RMB40,794,000 representing a growth of 160% in turnover as compared to the corresponding period last year
- Accomplished a net profit of RMB13,460,000 representing an increase of 43% in net profit as compared to the corresponding period last year
- Earnings per share is RMB1.40 cents
- Maintained a strong financial position with RMB312 million cash on hand
- Invested RMB7.5 million in a joint venture company, namely “Hebei Beida Jade Bird Universal Fire Equipment Limited” for manufacture and distribution of fire fighting equipment
- Appointed as sales agent for several well-known foreign security products and for provision of technical support and training
- The security report of SZD02 bank terminal certificate was passed the examination of the China State Cryptography Control Authority Office
- GPS (230M) vehicle unit was awarded acceptance quality certificate from the Ministry of Public Security
- Concluded distribution agreements with agents in Chengdu, Wuhan, Shengyang, Beijing, Dalian, Hangzhou, Tianjin, Shenzhen and other regions

INTERIM RESULTS

The board of Directors (the “Board”) of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “Company”) and its subsidiary (the “Group”) is pleased to announce the unaudited consolidated interim results of the Group for the three months ended and six months ended 30 June 2001 together with the unaudited comparative figures for the corresponding period in 2000 are as follows:

		1/4/2001 to 30/6/2001	1/4/2000 to 30/6/2000	1/1/2001 to 30/6/2001	1/1/2000 to 30/6/2000
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	27,282	15,085	40,794	15,666
Operating expenses:					
Material and equipment		(10,705)	(809)	(18,569)	(1,560)
Employment costs		(4,735)	(1,128)	(8,282)	(2,183)
Depreciation of fixed assets		(1,052)	(529)	(2,030)	(972)
Other operating expenses		(2,717)	(1,286)	(5,163)	(1,596)
Profit from operations		8,073	11,333	6,750	9,355
Interest income		2,983	28	6,710	28
Profit before taxation		11,056	11,361	13,460	9,383
Taxation	3	–	–	–	–
Profit attributable to shareholders		<u>11,056</u>	<u>11,361</u>	<u>13,460</u>	<u>9,383</u>
Earnings per share – basic (RMB cents)	4	<u>1.15</u>	<u>1.62</u>	<u>1.40</u>	<u>1.34</u>

Notes:

1. Group reorganization 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 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.

On 17 April 2000, the Company has completed a reorganisation as set out in the Company's Prospectus dated 20 July 2000 (the “Reorganisation”). The Reorganisation involved entities under common control and the Company resulting from the Reorganisation is regarded as a continuing business. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the financial statements have been prepared as if the Reorganisation had been completed as at 1 January 2000 and the business activities had been conducted by the Company since 1 January 2000, rather than from the date on which the Reorganisation was completed.

The principal accounting policies adopted in preparing the audited consolidated results 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 included sales of embedded system products and the provision of total solution services after deducting the applicable sales taxes as follows:

	1/4/2001 to 30/6/2001 RMB'000	1/4/2000 to 30/6/2000 RMB'000	1/1/2001 to 30/6/2001 RMB'000	1/1/2000 to 30/6/2000 RMB'000
Sales of embedded systems and related products	17,764	10	30,611	28
Total solution contracts	9,518	15,075	10,183	15,638
Total turnover	27,282	15,085	40,794	15,666

3. Taxation

(a) Enterprise income tax ("EIT")

The Company, being located in the Beijing New Technology Development Experimental Zone is subject to a reduced EIT rate of 15%. It is exempted from EIT for three years starting from Year 2000, its first operating year, followed by a 50% reduction of EIT from the fourth to the sixth year.

(b) Value-added tax ("VAT")

The Company 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 Company's purchases may be used to offset the VAT on the sales amount to arrive at the net VAT payable.

(c) Business tax ("BT")

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

4. Earnings per share

The calculation of earnings per share for three months ended and six months ended 30 June 2001 was based on the profit attributable to shareholders of approximately RMB11,056,000 and RMB13,460,000 respectively (2000 – RMB11,361,000 and RMB9,383,000) and on the weighted average number of 964,000,000 shares (2000 – 700,000,000 shares adjusted for the effect of the subdivision of shares made by the Company in December 2000) in issue during the period, according to the basis of presentation described in Note 1.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares outstanding.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (2000 – Nil)

BUSINESS REVIEW

Introduction

The Company has maintained a stable growth during the first half of this financial year. For the six months ended 30 June 2001, the Company has accomplished a revenue of RMB40,794,000 and a net profit RMB13,460,000. This represented a growth of 160% in revenue and a growth of 43% in net profit as compared to the first half of the previous financial year.

Sales of network security products was the major source of income during the first half of this year. The sales revenue from network security products amounted to RMB15,460,000 and accounted for 38% of the total revenue. Because of the improvement in function and quality of our Company's network security products and increasing acceptance by the domestic market, the sales revenue from network security products also increased.

In June this year, the Company invested RMB7.5 million, which accounted for 75% of the equity interest, in a joint venture company, namely "Hebei Beida Jade Bird Universal Fire Equipment Limited". The joint venture company has a registered capital of RMB10 million and is mainly engaged in the manufacture and sale of fire equipment, machinery and communications equipment. Currently, certain products of the joint venture company, including JB-QB/LN1010 Regional Fire Alarm Controller, J-SAP-M-JBF-101F Manual Fire Alarm Button, JTY-GD-LN2100 Thermal-powered Smoke Sensor, JTW-ZD-LN2110 Thermostatic Fire Sensor and JB-TB-JBF-11S Fire Alarm Controller have already passed the quality examination of Nation Fire Protection E-Product Quality Intendance Proof-test Center.

In the first half of this year, the Company has also been appointed as sales agent for several well-known foreign security products and for provision of technical support and training. As at 30 June 2001, the Company has concluded sales agent agreements with SYMANTEC (Beijing) Limited, Veritas Software Company and NETWORK-1 Security Systems (China) Limited. The Company has also provided services and training for the Bank of China, China Telecom, the People's Insurance Company of China, Huatai Insurance Company, China Xinda Assets Management Company, China Yinhe Securities Limited.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business Objectives as stated in the Prospectus	Actual business progress up to the end of 30 June 2001
<p>1. Embedded Systems</p> <p>1.1 Software</p> <p>Conduct testing and reevaluation of experimental model</p>	<p>Based on the analysis and study of the embedded systems applications, the Company has completed an evaluation on the instruction processing system for embedded software development and confirmed the developing platform of embedded software.</p>

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2001

1.2 Hardware

1.2.1 Embedded microprocessor

Complete circuit design including:

- research on EEPROM design technology
- research on ASIC design methodology

For embedded microprocessor, 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 passed the technical review.

Complete layout design of embedded microprocessor

The Company has completed the layout design of 8-bit microprocessor and now proceeded to the FPGA function verification before fabrication.

1.2.2 ASIC

Commence 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.

Amount to be financed by the net proceeds from the Placing : RMB7,300,000

Amount utilized by the net proceeds from the Placing : RMB498,000

2. Products Development

2.1 Security ICs

Commence research and development of 3rd generation Security ICs

The Company has commenced the design and development of 3rd generation Security ICs jointly with Jiangnan Computer Technology Institute. The future production of 128-bit module encryption algorithm, which has been approved by relevant government authorities, will apply the 0.35 μm CMOS technology of embedded EEPROM. Both the design and manufacture technologies have been taking a lead position among the domestic products. Currently, the Company has completed the logic design and front-end design, and has proceeded to back end design and preparations for layout and foundry.

Business Objectives as stated in the Prospectus

2.2 Network Security Products

Develop application specific security gateway applicable in areas such as securities trading system and tax collection

Actual business progress up to the end of 30 June 2001

The Company has launched a full-scale 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 with new functions such as SJY01 encryption card support and users' group.

JB-FW gateway firewall: The Company has upgraded the product into V2.0 edition, modified the original functions and planed to adjust the core level for more functions.

VPN encryption gateway: The Company has developed V1.0 edition, which is characterized by an overall security resolution of "gateway-to-gateway" and "gateway-to-Win98" encryption terminals.

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

On network security hardware, the Company has developed SJY01-A encryption card, SZD02 encryption card and SJY04 encryption card. At present, these products are all under batch production. In addition, the encryption module of SJL13 link encryption equipment has passed stability examination.

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2001

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 designed property management software and commenced testing and development. It is expected that such software would greatly enhance the effectiveness of property management in residential area.

2.4 GPS Application System

Develop application specific GPS Application System JB-350M

The Company has intensified market survey to fathom the potential demand for JB-350M GPS products and has defined future development direction and product functions.

Conduct in depth research on 3rd generation GPS Application System JB-350M

Examination on our proprietary GPS taxi dispatching system has been concluded and 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 material distribution industries. Currently, the Company has acquired substantial information on customers' needs and defined function setups accordingly.

2.5 WFAS

Commence study of security wireless alarm system

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

Business Objectives as stated in the Prospectus

Start study of application specific WFAS (e.g. warehouse and small scale residential community)

Conduct testing and review on the trial 3rd generation WFAS

Amount to be financed by the net proceeds from the Placing : RMB9,200,000

Actual business progress up to the end of 30 June 2001

The Company has commenced the design on regional wireless fire alarm system and has completed the design principle and the hardware circuits.

The Company has conducted testing on the transmitter and receiver of 3rd generation WFAS, and started system testing and review.

Amount utilized by the net proceeds from the Placing : RMB5,896,000

3. Production

3.1 Security ICs

Commence trial production of 2nd generation Security ICs

The Company has purchase orders for 10,000 pieces of 2nd generation Security ICs on hand, which has been under batch production.

3.2 Network Security Products

Continue production of existing Network Security Products

The Company has produced 45 sets of JB-FW firewall products and 12 sets of JB-SG2 security gateway products.

3.3 Smart Card Application System

Commence trial production of smart card object classification system

The Company has commenced research and development of container warehouse storage electrical label automatic search system. In the second quarter, the Company has designed and produced material classification system for sports games and such system has been applied in "Dragon Cup" Asia Iron Man Triathlon Championships held in Xuzhou.

Continue production of existing Smart Card Application System

The Company has continued the development and production on existing smart card application system. The Company has installed 125 sets of POS machines for National Patent Bureau and other government authorities, and produced 100 sets of smart card consumption machines and smart card locks for Campus Smart Card Project.

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2001

3.4 GPS Application System

Continue full-scale production of 1st generation GPS Application System (JB230M) products

The Company has finished modulation on the analogy application system of the 1st generation GPS application system (JB230M) and further modified system performance. The product is under technological process design and is ready for mass production.

3.5 WFAS

Commence full-scale production of 2nd generation WFAS products

The Company has initiated the full-scale production 2nd 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.

4. Relevant approvals and permits

4.1 Security ICs

Currently, no approval or permit is required for existing products.

4.2 Network Security Products

The security report of SZD02 bank terminal certificate has been passed the examination of the China State Cryptography Control Authority Office ("CSCCAO"). The Company has also prepared and submitted the security reports of SJY04 encryption card, SJY01 encryption card and SJL13 link encryption equipment to CSCCAO for review.

4.3 Smart Card Application System

Currently, no approval or permit is required for existing application system projects.

4.4 GPS Application System

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

4.5 WFAS

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

Business Objectives as stated in the Prospectus

Actual business progress up to the end of
30 June 2001

5. Marketing activities

5.1 Establish sales network in southern China

The Company has vigorously explored sales channels and organized regional distribution agents to further expand market share. The Company has concluded distribution agreements with agents in Chengdu, Wuhan, Shengyang, Beijing, Dalian, Hangzhou, Tianjin, Shenzhen and other regions.

5.2 Participate in professional exhibitions and trade shows in Beijing and Shanghai

The Company has attended a number of large-scale exhibitions and conferences to promote our embedded system products and our research achievements, including:

- (1) China Beijing International High-Tech Industries Week & China Beijing International Sci-Tech Fair and Venture Investment Workshop & Conference during 10-15 May 2001;
- (2) China International Software Exhibition and Technology Symposium during 28-30 June 2001;
- (3) Beijing New Security Products and Technologies Exhibition sponsored by the Ministry of Public Security during 27-30 June 2001.

5.3 Commence roadshows in eastern and southern China and conduct trade shows and seminars in Shenzhen

The Company has engaged in different kinds of forums and exhibitions concerning the Information Industry, including:

- (1) China E-Commerce Exhibition in Beijing;
- (2) Customer Seminars in Gansu, Shenzhen and Chengdu in relation to customers' needs and demand;
- (3) Network Security Working Conference in Gansu province;
- (4) Product roadshow in Guangzhou;

Business Objectives as stated in the Prospectus

Actual business progress up to the end of 30 June 2001

5.4 Continue the Company's advertising plan such as placing advertisements in industry-related magazines

- (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.

To promote our corporate image, the Company has contributed a lot of efforts in advertising and other marketing activities and has maintained good relations with mass media.

In January, Beijing TV Station and the Company jointly hosted "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;

The Company has also promoted the communication module on a magazine "Component Express" during April and May.

Through the above-mentioned activities, the Company's products become more popular in the PRC market.

Amount to be financed by the net proceeds from the Placing : RMB8,500,000

Amount utilized by the net proceeds from the Placing : RMB1,944,000

FUTURE PROSPECTS

With the PRC's imminent entry to World Trade Organization and the Olympic Games to be held in Beijing in 2008, it is expected that the PRC government will increase the investments in information and telecommunication infrastructure and place more emphasis on the development of information security technology. In July this year, the Company successfully obtained customer orders for smart card application systems products for sports related electronic instruments such as timing system and electronic meters. The trend for the world's economic and regional unification has ignited extensive cross-countries and cross-borders communications which rely heavily on networks as the medium of transmission. The rapid development of the Internet has brought a huge demand in computers and related products from the general public. The great potentials of the PRC market and the country's significant status in the Asia Pacific region will certainly bring various opportunities to the Company.

As the domestic market for network security products has become more matured, demand for products in network attack and defense applications, security assessment, security test, confidentiality test and other fields also increases. The Company will continue to strengthen its cooperation with various government departments and to reinforce the research and development on projects such as network attack and defense applications system, security assessment system, and security services. The Company will also strive to expand its market channels and improve its product quality. In addition, the Company will continue to enhance their quality and performance of existing products such as security gateway, firewall and encryption cards and to maintain the sales growth.

As one of the leading embedded system developers and integrated circuits designers in the PRC, integrated circuit design is the core of the Company's technology for each business. The Company will strive to place close attention to integrated circuit manufacturing industry so as to meet the technological development requirement of the Company, and hence further enhance an advanced status in technological development.

The Company's public and specific networks based GPS products have successfully passed the government examination and are ready for mass production. The Company plans to provide 230 sets of GPS products for the 2001 World College Students Games in Beijing. The Company will further cooperate with the taxi industry by installing our GPS products in 10,000 to 20,000 taxis to help "JBU" as a famous brand name for domestic GPS products.

For smart card applications system products, the Company will soon launch a series of sports related hi-tech products including electronic meters, payment systems and other products. Among the smart card applications system products, the POS payment system will be made compatible with the payment network of the Industrial and Commercial Bank of China and the Communications Bank of China and will be presented as a product package.

The Company anticipated that the sales volume to be achieved by "Hebei Beida Jade Bird Universal Fire Equipment Limited" in the next three years reach RMB10 million, RMB 20 million and RMB 30 million respectively.

In the second half of this year, the Company will continue to participate in various large-scale hi-tech exhibitions and strengthen the strategic alliance with government bodies and financial organizations. The Company will also establish closer ties with Peking University and other strategic investors so as to expand our business scope and hence the market shares.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 June 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 Gamerian 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:

Director/Supervisor	Type of interests	Number of Shares	Percentage of deemed beneficial interest in the Company's share capital
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 period ended 30 June 2001, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30 June 2001, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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:

Shareholder	Number of Promoters' Shares	Approximate effective interests in the Company
Peking University (<i>Note 1</i>)	221,345,350	22.96%
Beijing Beida Jade Bird Software System Company ("Jade Bird Software") (<i>Note 2</i>)	136,345,350	14.14%
Dynamic Win (<i>Note 3</i>)	220,000,000	22.82%
Heng Huat (<i>Note 3</i>)	205,414,000	21.31%

Notes :

- (1) Peking University, through Jade Bird Software, Jade Bird, Yu Huan and Beijing Tianqiao, has effective interests in the Company comprising:
 - (a) 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 comprises:
 - (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 Gameraian Limited and approximately 93.37% by Heng Huat. Gameraian Limited is a wholly owned subsidiary of New World CyberBase Limited, which is a company whose shares are listed on the Main Board of the Stock Exchange. Heng Huat is a company incorporated in the British Virgin 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 30 June 2001, New World CyberBase Limited, an associate of the Company's sponsor, Tai Fook Capital Limited ("Tai Fook"), held 70,000,000 Promoters' Shares of the Company. In addition, New World CyberBase Limited through its another wholly owned subsidiary, Gameraian Limited, held a 6.63% shareholding in Dynamic Win which in turn held 220,000,000 Promoters' Shares of the Company.

Save as disclosed above, Tai Fook (including its directors and employees) and its associates, do not have any interest in the Company as at 30 June 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 period ended 30 June 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, 11 August 2001