



北京北大青鳥環宇科技股份有限公司

**Beijing Beida Jade Bird Universal Sci-Tech Company Limited**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT**

**For the period ended 30 September 2001**

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

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**For the period ended 30 September 2001**

### **Highlights**

- **Achieved a turnover of RMB69,446,000, representing an increase of 133% in turnover as compared to the corresponding period last year**
- **Accomplished a net profit of RMB20,723,000, representing an increase of 27% in net profit as compared to the corresponding period last year**
- **Earnings per share is RMB2.15 cents**
- **The Company was awarded the “Commercial Cryptographic Products Sales Certificate” by China State Cryptography Control Authority Office.**
- **Jade Bird Gateway Firewall JB-FW1 (V2.2) was recognized as a national certified product by China National Information Security Testing Evaluation and Certification Center.**
- **Four of Hebei Beida Jade Bird Universal Fire Equipment Limited's fire control products passed the examinations by China Certification Committee for Fire Prevention Products Quality, and were granted the ISO 9002 Certificate and the Fire Product Safety Certification.**
- **Proposed investment of USD60 million in SMIC International. In addition to expected return on investment, the Company believes that the investment in SMIC will improve the standard in ASIC design and also enhance the competitiveness of the Company's ASIC products will be enhanced.**

### **THIRD QUARTERLY 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 operating results of the Group for the three and nine months ended 30 September 2001 together with the unaudited comparative figures for the corresponding period in 2000 as follows :-

	Note	1/7/2001 to 30/9/2001 RMB'000	1/7/2000 to 30/9/2000 RMB'000	1/1/2001 to 30/9/2001 RMB'000	1/1/2000 to 30/9/2000 RMB'000
Turnover	2	28,652	14,110	69,446	29,776
Operating expenses:					
Material and equipment		(10,978)	(3,128)	(29,547)	(4,688)
Employment costs		(3,951)	(2,567)	(12,233)	(4,750)
Depreciation of fixed assets		(1,124)	(728)	(3,154)	(1,700)
Other operating expenses		(3,219)	(3,224)	(8,383)	(4,820)
Profit from operations		9,380	4,463	16,129	13,818
Other (expenses) income, net		(2,188)	2,506	4,522	2,534
Profit before taxation		7,192	6,969	20,651	16,352
Taxation	3	-	-	-	-
Profit after taxation		7,192	6,969	20,651	16,352
Minority interest		72	-	72	-
Profit attributable to shareholders		7,264	6,969	20,723	16,352
Earnings per share - basic (RMB cents)	4	0.75	0.79	2.15	2.15

## 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:

	<u>1/7/2001 to 30/9/2001</u>	<u>1/7/2000 to 30/9/2000</u>	<u>1/1/2001 to 30/9/2001</u>	<u>1/1/2000 to 30/9/2000</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Sales of embedded systems and related products	22,977	4,450	53,588	4,478
Total solution contracts	<u>5,675</u>	<u>9,660</u>	<u>15,858</u>	<u>25,298</u>
Total turnover	<u><u>28,652</u></u>	<u><u>14,110</u></u>	<u><u>69,446</u></u>	<u><u>29,776</u></u>

## 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 and nine months ended 30 September 2001 was based on the profit attributable to shareholders of approximately RMB7,264,000 and RMB20,723,000 respectively (2000: RMB6,969,000 and RMB16,352,000) and on the weighted average number of 964,000,000 shares (2000: 884,434,780 shares and 761,927,010 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**

For the nine months ended 30 September 2001, the Company has accomplished a revenue of RMB69,446,000 and a operating profit of RMB16,129,000. This represented a growth of 133% in revenue and a growth of 17% in operating profit as compared to the corresponding period of the previous financial year.

For the three months ended 30 September 2001, the Company has accomplished a revenue of RMB 28,652,000 and a operating profit of RMB9,380,000. This represented a growth of 103% in revenue and a growth of 110% in operating profit as compared to the third quarter of the previous financial year.

In the third quarter, sales of network security continued to be the major source of income of the Company. The sales revenue from network security products amounted to RMB17,472,000 which accounted for 61% of the total revenue. The sales revenue from the provision of wireless fire alarm system was also steadily increasing and contributed a service revenue of RMB2,825,000 in the third quarter.

### **1. Embedded System**

#### *Software*

The Company has conducted testings on the experimental model of small-scaled reusable embedded system software library and has modified the developing platform. Research and development activities on this product are under progress..

#### *Hardware - Embedded Microprocessor*

The Company has completed the layout design of the 8-bit microprocessor and the verification of the FPGA function. The Company is in the process of developing the compiling system of the microprocessor.

#### *Hardware - ASIC*

The Company has completed the development on the cell/module libraries of ASIC such as full adder, comparator, embedded RAM/ROM, 480 MHz phase locked loop, 8 bit A/D converter and 8 bit embedded microprocessor.

## **2. Product Development**

### ***Security ICs***

In cooperation with Jiangnan Computer Technology Institute and Shanghai Huahong Semiconductor Manufacture Company Limited, the Company has completed the circuit logic design of the 3rd generation security ICs and has conducted simulation and verification on its functions and timing sequence. The layout design is underway and is expected to complete in late November this year. The Company has also completed the technical preparation work for the research and development of chips on the smart card application systems. Market research on the product is being carried out.

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

The Company has upgraded the JB-FW gateway firewall product to edition V2.2, which is characterized by modified functions and new functions such as flow control. The Company is now actively developing its edition V3.0 of the firewall product, which encompasses a new technological core.

The Company is in the process of improving edition V1.0 of the VPN encryption gateway and the functional testing is being carried out.

The SJY01-A encryption card has passed the security examination by the China State Cryptography Control Authority Office (“CSCCAO”). According to the performance index examination, the block encryption speed of the SJY01-A encryption card is taking a leading position in the Mainland China.

For SZD02 bank terminal certificate system, simulation environment test on the whole system has been completed. Relevant technological files are ready for appraisal. The Company also cooperated with other companies in the development of intelligent bank terminal certificate system. At the moment, the system is under the process of joint debugging. For the high-speed network encryptor, the Company has finished designing the cryptographic key management program as well as the flow chart of the compatible high-speed encryption card.

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

The Company has conducted development in the second generation POS system of the financial smart card applications and the integrated services card system for community property management.

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

For JB-350M GPS products, the Company has identified the customers’ requirements and hence the development direction. Functions of the product have been defined and feasibility analysis conducted. The Company has concluded the development and testing on the proprietary GPS taxi dispatching system and proceeded to carry out marketing and promotion activities. Based on the existing GPS, GIS and GSM public network systems, the Company has conducted research and development on specific GPS products for long distance transportation and logistics industries. Specific technology development schemes have been tailor made for individual customers, with some already under development.

## **WFAS**

The Company has commenced the formulation of technological standards of the next generation WFAS products. Apart from continuing to study on specific WFAS, the Company has also commenced research on the standards of wireless sensor of integrated WFAS products.

### **3. Production**

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

The Company has produced 10,000 pieces of 2<sup>nd</sup> generation security ICs in the end of September and has launched the product for sale. The Company plans to complete the layout design of the 3<sup>rd</sup> generation security ICs by mid November and to commence trial production by the end of this year.

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

The production and upgrading of the Company's JB-SG2 firewall products were normally carried out.

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

The Company has produced the integrated services card system targeted for community property management and has proceeded with the Campus Smart Card Projects in Nanjing University of Chemical Technology and other educational institutions.

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

The Company has conducted testing and procedures for function perfection on the 1<sup>st</sup> generation GPS Application System (JB-230M). At present, the Company is refining the technological design of the system and has trial produced a small batch of the products.

## **WFAS**

The Company has commenced trial production of the 3<sup>rd</sup> generation WFAS products. Based on the existing WFAS technologies, the Company has launched full-scale development in the Zhongnanhai automatic fire alarm system project and has already completed the initial design scheme of the system.

### **4. Relevant Approvals and Permits**

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

Currently, no approval or permit is required for the 3<sup>rd</sup> generation security ICs which are under research and development.

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

On 9 August 2001, the Company was awarded the “Commercial Cryptographic Products Sales Certificate” by China State Cryptography Control Authority Office.

On 26 September 2001, Jade Bird Gateway Firewall JB-FW1 (V2.2) was recognized as a national certified product by China National Information Security Testing Evaluation and Certification Center.

SJY01-A Information Encryption Card has passed the system security review by China State Cryptography Control Authority Office.

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

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

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

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-DTI GPS Vehicle Set was awarded the “Security Technology Safeguard Product Manufacture Certificate” by the Public Security Department 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.

### ***WFAS***

The Company is under preparation to submit relevant documents on the technological details and corporate technology standards to Shenyang Fire Protection E-Product Intendance Proof-test Centre and Nation Fire Protection Quality Intendance Proof-test Centre for proof test and acceptance of the 3rd generation WFAS products.

## **5. Marketing Activities**

The Company has been actively engaged in the establishment of national product sales agent network. With the efforts to develop cooperative relationships with renowned software developers and system integrators, the Company has established sales agents in Guangzhou, Shanghai, Shengyang, Hebei and Xi’an and has also concluded sales agent agreements with Ranitel Corporation Beijing, Beijing Rising Technology Company Limited and other companies. In the near future, the Company plans to establish the national sales agent network in Shanxi, Guizhou, Guangdong, Hubei and other provinces.

During the quarter under review, the Company has been in active participation in a number of large-scale exhibitions and conferences in order to promote the embedded system products and our research achievements, including “The Third China International Computer Information System Security Exhibition” held from 4 to 6 September, and “Year 2001 China International Financial (Bank) Technologies & Devices Exhibition” held from 16 to 19 September.



The Company has established close relationship with relevant government bodies such as the Hunan Security Bureau and the Information Center of Ningxia Autonomous Region Government.

During the quarter, the Company has intensified its marketing activities by placing advertisements on the Jade Bird Gateway Firewall (JB-FW1) in media including Computer World, China Computer, Financial Electronization, Information and Communication Security.

## **OUTLOOK**

Benefited from its domestic stability, economic prosperity and the foreseeable opportunities ahead, China has become the investment and development focus in the Asia Pacific Region as well as the world. The application software and integrated circuit products that the Company currently develops will also become a key part for the growth of the information technology industry in China. Taking advantage of this favourable market potential, the management of the Company will strive to apply the research and development achievements into commercial products and application solutions and hence improve the profitability.

The intensified competition in the network security products market has set tremendous demands for products such as network defense training and application system, security assessment system, security test system, confidentiality examination system, security protection and monitor system. In the coming quarter, the Company will strengthen its relationship with relevant government bodies, enhance its product quality, and reinforce its research and development activities. The Company will also seek to expand its marketing channels in the hope of boosting product sales.

To meet with the needs of the competitive ASIC products market, the Company will concentrate on developing information security products and embedded systems. Based on the existing proprietary technology and experience, the Company has developed the 3<sup>rd</sup> generation security ICs succeeding its development and batch production of the 1<sup>st</sup> generation and the 2<sup>nd</sup> generation security ICs. The 3<sup>rd</sup> generation chip applies a proprietary 128-bit block encryption algorithm and embedded EEPROM module, and can be widely applied to commercial information security systems. Research on the 4<sup>th</sup> generation chip has already commenced. An SoC with embedded specific microprocessor and multiple encryption and decryption algorithms, the chip smartly integrates the information system and the embedded system. The Company is currently applying for certain IC company certificate, which will endow the Company with more favorable government policies.

On 6 September 2001, the Company announced the proposed investment of USD60 million in Semiconductor Manufacturing International Corporation (“SMIC International”). As mentioned in the announcement, integrated circuits are key components of the Company’s products. Therefore, the development of the Company’s products to a significant extent depends on the technology related to the design and development of integrated circuits. Also, one of the Group’s principal business strategies is to focus on the research and development of advanced software and integrated circuits for the manufacture of high-end embedded system products. In this regard, the Directors are of the view that the proposed investment in SMIC International may enable the Company to achieve the stated strategy of improving technology in the design and development of integrated circuits. In particular, the Directors believe that the Company would benefit from co-operating with Semiconductor Manufacturing International Corporation (Shanghai) (“SMIC Shanghai”), a wholly owned subsidiary of SMIC International, in terms of obtaining first-hand information relating to the most advanced technology of the semiconductor industry from SMIC Shanghai, which may benefit the Company in developing advanced integrated circuits for its embedded systems products and in maintaining its leading position in the industry.

The Company is still in the process of reaching an agreement among SMIC International and other investors and to allow the inclusion of the accountants' report of SMIC International in the circular to be despatched to the shareholders of the Company for approving the proposed investment in SMIC International. The Directors expect that the circular will be despatched as soon as practicable but before end of March 2002.

During the Third China International Hi-tech Fair held in Shenzhen from 12 to 17 October 2001, the Company's GPS application technology attracted the attention of many industry partners. The Company has concluded a cooperation agreement with Shunde Wanhe Group for the establishment of vehicle monitor and dispatch systems in Guangdong, targeting to become one of the leaders in the GPS application system market in Guangdong in three years. In addition, the Company has entered into a sale agreement with Shenzhen Gaoxie Tonglian Technology Limited for the JB-230M GPS Satellite Monitor System. This system is built for the anti-theft and anti-robbery alarms of taxis, police cars, bank vans, ambulances and buses in Shenzhen, and can detect gas pollution in cities and hydrologic fluctuations.

In the coming quarter, the Company will continue to improve the existing products and endeavor to explore new market and application area. Our GPS products will be applied in the despatch, monitor and management of long distance vehicles and tourist buses in Chengdu and E'mei Mountain in Sichuan Province. The smart card system will be applied to the China Youth Smart Card project for membership fee management, library management and the consumption of China's Young Pioneers.

In October 2001, four products from Hebei Beida Jade Bird Universal Fire Alarm Device Co Ltd, 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 Certification Committee for Fire Prevention Products Quality and were granted the Fire Product Safety Certification. The Company also plans to introduce the existing WFAS products to Beijing based on our reliable product quality and the experience from the Hainan WFAS project. These products will be mainly installed in hotels, restaurants and office buildings.

In respect of internal management, the Company will continue to adopt an efficient and low cost operation mode. Relying on the talents, the management endeavors to enhance the comprehensive strength of the Company.

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

As at 30 September 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 nine months ended 30 September 2001, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30 September 2001, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 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, 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 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 30 September 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, Gamerian Limited, held a 6.63% shareholding in Heng Huat 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 September 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 September 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

13 November 2001, Beijing, the PRC

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