BROADENGATE SYSTEMS INC
Form 10QSB
September 19, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002
OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________.

Commission file number 1-12293

BROADENGATE SYSTEMS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	87-0394313
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

3/F, Block 2, Cyber City, South Hi-tech Industrial Park,
Shenzhen, Guangdong Province
(Address of Principal Executive Offices) (Zip Code)

011-86-755-2671-6656
(Issuer's Telephone Number, including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

As of September 18, 2002, 14,393,000 shares of our common stock, $.001 par value were outstanding. As of such date, the aggregate market value of the common stock held by non-affiliates, based on the closing bid price on the NASD Bulletin Board, was approximately $2,158,950.

INDEX

BROADENGATE SYSTEMS INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

[The remainder of this page intentionally left blank]

BROADENGATE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2002 AND DECEMBER 31, 2001
(Unaudited)

	2001	2002	2002
	Rmb	Rmb	US$
ASSETS			
CURRENT ASSETS			
Cash	7,995,053	540,660	$ 65,140
Accounts receivable	3,192,662	2,112,108	254,471
Deposits and other	555,987	341,011	41,086
Advances to employees	389,008	337,257	40,633
Costs & estimated earnings in excess Of billings on uncompleted contracts	-	1,417,641	170,800
TOTAL CURRENT ASSETS	12,132,710	4,748,677	572,130
NONCURRENT ASSETS			
Long-term investment	2,800,000	2,800,000	337,349
Fixed assets	2,432,328	2,166,435	261,016
Advances to employees	326,000	356,185	42,914
Intangibles	1,508,106	1,237,998	149,156
TOTAL NONCURRENT ASSETS	7,066,434	6,560,618	790,435
TOTAL ASSETS	19,199,144	11,282,295	$1,362,565
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings-bank	24,000,000	17,800,000	$ 2,144,578
Accounts payable	-	24,706	2,977
Accrued expenses			
Salaries, wages and other compensation	337,048	1,170,993	141,083
Employee fringe benefits	1,539,271	1,672,371	201,490
Taxes	17,458	184,295	22,204
Other	1,183,523	1,723,025	207,594
Customer deposits	15,000	117,328	14,136
Due to directors	4,163,531	4,223,140	508,812
Due to related parties	390,919	531,201	64,000
Due to employees	-	184,038	22,173
Billings in excess of costs & estimated earnings on uncompleted contracts	-	514,753	62,108
TOTAL CURRENT LIABILITIES	31,646,750	28,145,850	3,391,065
SHAREHOLDERS' EQUITY (DEFICIT)			
Common stock,par value US$0.001;issued and outstanding-14,393,000 shares as of December 31,2001 and March 31,2002	119,462	119,462	14,393
Additional paid-in capital	57,969,605	57,969,605	6,984,290
Subscription receivable	(767,411)	-	-
Reserve funds	347,148	347,148	41,825
Accumulated deficit	(70,116,410)	(75,272,770)	(9,069,008)
TOTAL SHAREHOLDERS' DEFICIT	(12,447,606)	(16,836,555)	(2,028,500)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	19,199,144	11,282,295	$ 1,362,565

The accompanying notes are an integral part of the consolidated financial statements.

BROADENGATE SYSTEMS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 AND 2002
(Unaudited)

	2001	2002	2002
	Rmb	Rmb	US$
REVENUE	3,227,547	3,886,295	$ 468,228
COST OF SALES	(2,547,265)	(3,242,195)	(390,626)
GROSS PROFIT	680,282	644,100	77,602
SELLING AND ADMINISTRATIVE EXPENSES	(1,580,778)	(4,396,439)	(529,691)
LOSS FROM OPERATIONS	(900,496)	(3,752,339)	(452,089)
OTHER INCOME(EXPENSE)			
INTEREST EXPENSE	(263,656)	(288,494)	(34,758)
OTHER INCOME,NET	948,993	19,330	2,329
TOTAL OTHER INCOME(EXPENSE), NET	685,337	(269,164)	(32,429)
LOSS BEFORE TAXES	(215,159)	(4,021,503)	(484,518)
INCOME TAXES	12,979	-	-
LOSS BEFORE MINORITY INTEREST	(202,180)	(4,021,503)	(484,518)
MINORITY INTEREST IN LOSS	133,616	-	-
NET LOSS	(68,564)	(4,021,503)	$ (484,518)
LOSS PER SHARE	(0.01)	(0.28)	$ (0.03)
WEIGHTED AVERAGE SHARES OUTSTANDING	12,920,000	14,393,000	14,393,000

The accompanying notes are an integral part of the consolidated financial statements.

4

BROADENGATE SYSTEMS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2001 AND 2002
(Unaudited)

2001	2002	2002

	Rmb	Rmb	US$
REVENUE	5,345,473	6,170,417	$ 743,424
COST OF SALES	(3,991,250)	(4,932,002)	(594,217)
GROSS PROFIT	1,354,223	1,238,415	149,207
SELLING AND ADMINISTRATIVE EXPENSES	(4,399,060)	(6,371,002)	(767,591)
LOSS FROM OPERATIONS	(3,044,837)	(5,132,587)	(618,384)
OTHER INCOME(EXPENSE)			
INTEREST EXPENSE	(520,520)	(547,916)	(66,014)
DIVIDEND INCOME	-	493,753	59,488
OTHER INCOME,NET	1,110,528	30,390	3,662
TOTAL OTHER INCOME(EXPENSE), NET	590,008	(23,773)	(2,864)
LOSS BEFORE TAXES	(2,454,829)	(5,156,360)	(621,248)
INCOME TAXES	-	-	-
LOSS BEFORE MINORITY INTEREST	(2,454,829)	(5,156,360)	(621,248)
MINORITY INTEREST IN LOSS	45,719	-	-
NET LOSS	(2,500,548)	(5,156,360)	$ (621,248)
LOSS PER SHARE	(0.19)	(0.36)	$ (0.04)
WEIGHTED AVERAGE SHARES OUTSTANDING	12,920,000	14,393,000	14,393,000

The accompanying notes are an integral part of the consolidated financial statements.

5

BROADENGATE SYSTEMS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2001 AND 2002
(Unaudited)

	2001 Rmb	2002 Rmb	2002 US$
Cash Flows from Operating Activities			
Net loss	(2,500,548)	5,156,360	$ (621,248)
Adjustments to reconcile net loss to net cash used in operating activities:			

Depreciation	307,715	464,143	55,921
Amortization of product development costs	253,189	-	-
Amortization of Intangible assets	-	270,108	32,543
Provision for losses on receivables			
- Customers	-	2,371,600	285,735
Minority interest	45,719	-	-
(Increase) decrease in			
Accounts receivable	(3,927,862)	(1,479,446)	(178,247)
Deposits and other	(630,423)	44,976	5,419
Costs and estimated earnings in excess of billings on uncompleted contracts	67,853	(1,417,641)	(170,800)
Others	265,068	-	-
Increase (decrease) in			
Accounts payable and accrued expenses	2,035,718	1,698,090	204,589
Customer deposits	(6,000)	102,328	12,329
Billings in excess of costs and estimated earnings on uncompleted contracts	492,025	514,753	62,018
Total Adjustments	(1,096,998)	2,568,911	309,507
Net Cash Used in Operating Activities	(3,597,546)	(2,587,449)	(311,741)
Cash Flows from Investing Activities			
Capital expenditures	(7,800)	(28,250)	(3,404)
Capitalized expenditures for product development costs	436,649	-	-
Advances to related parties	(32,454)	-	-
Advance to employees	(276,838)	21,566	2,599
Net Cash Used in Investing Activities	753,741	(6,684)	(805)
Cash Flows from Financing Activities			
Net repayments to bank	-	(6,200,000)	(746,988)
Net borrowings from related parties	281,155	140,282	16,901
Net borrowings from director	1,021,250	248,009	29,881
Net borrowings from employees	-	184,038	22,173
Proceeds from subscription receivable	-	767,411	92,459
Net Cash Provided by (Used in) financing Activities	1,302,405	(4,860,260)	(585,574)
Net Decrease in Cash	(3,048,882)	(7,454,393)	(898,120)
Cash, Beginning of Period	3,221,718	7,995,053	963,260
Cash, End of Period	172,836	540,660	$ 65,140

The accompanying notes are an integral part of the consolidated financial statements.

BROADENGATE SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The Company believes that the interim financial statements contain all adjustments necessary for a fair presentation of the results for such interim periods. All of these adjustments are normal recurring adjustments. The results of operations for interim periods do not necessarily predict the operating results for the full year. The consolidated balance sheet as of December 31,2001 has been derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles as permitted by interim reporting requirements. The information included in this report should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, the audited financial statements and related notes included in the Company's 2001 Form 10-KSB.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31,2001.

NOTE 2 - ACQUISITIONS

On March 31, 2000, Natural Way Technologies, Inc. (Natural Way) entered into an Exchange agreement (the Exchange) with World Concept Development Limited (World), an independent third party. In accordance with the Exchange, Natural Way acquired 100% of the issued and outstanding shares of World in exchange for 9,300,000 post reverse split shares of Natural Way. Prior to closing, Natural Way effected a one for five reverse stock split and changed the name of the Company to ESOFTBANK.COM, INC.

The Exchange has been accounted for using the purchase method of accounting as a reverse acquisition, whereby the company issuing its shares to effect the business combination is determined to be the acquirer in the business combination. This occurs when the shareholders of the issuer have less than a majority of voting control of the combined entity. The company whose shareholders retain the majority voting interest in the combined entity is presumed the acquirer. In the current Exchange, the existing shareholders of Natural Way will retain a 27% voting interest in the combined entity on completion of the Exchange. Accordingly, World is deemed to be the acquirer and the assets of Natural Way were required to be fair valued at acquisition. As Natural Way had no assets, as of the date of the Exchange, no fair value adjustment was required. The historical financial information prior to the Exchange are those of World.

World, a development stage enterprise, was incorporated on October 27, 1999, in the British Virgin Islands. World incorporated its wholly owned subsidiary ESOFTBANK Networks (Shenzhen) Co. Ltd. (Shenzhen) on December 30, 1999, in the Peoples' Republic of China (PRC). World and Shenzhen were incorporated to effect a merger, exchange of capital stock, asset acquisition or other business combination with a domestic or foreign, private or publicly held business.

On February 21, 2000, World via Shenzhen, acquired 9.52% of the outstanding capital of SiTech, a company related through common ownership and management from Dr. Hongbing Lan, a director and stockholder of both World and SiTech for approximately $62,650. On the same date, Shenzhen acquired an additional 42.86%

of SiTech from SiTech Hainan Holding Co., Ltd. (Holdings), a company related through common ownership and management, for approximately $280,000. Since both entities involved in the acquisition were under common control, the transaction was accounted for at historical cost in a manner similar to that in pooling-of-interests accounting. The cash consideration paid in these transactions was classified as a deemed dividend in the amount of Rmb 2,840,000. The consolidated financial statements include the results of operations for World and its subsidiaries from their inception.

7

On February 21, 2000, Shenzhen also acquired 80% of the newly issued and outstanding stock of Beijing, a PRC company, from Holdings for an initial capital investment of approximately $116,000. The remaining 20% of Beijing is owned by Mr. Lan Hong Yu, the brother of Dr. Hongbing Lan.

During August of 2000, Shenzhen acquired a 2.67% interest for Rmb 2,800,000 in Xiangyou, a newly formed entity, whose primary stockholder and initiator is the Hunan Post Office (governmental agency). The new entity's development projects are to include: a postage computing system, telecommunication technology development, a postage machinery manufacturing line and other various technology related systems. The acquisition will be accounted for at the lower of cost or net realizable value.

On October 14, 2001, Shenzhen acquired 70% of the outstanding capital of Dalian, an unrelated PRC company, in exchange for 307,000 shares of the Company valued at $.55 per share or approximately $168,675. Dalian is a software company in Northeastern China focusing on project management software and system integration. This acquisition was accounted for as a purchase in accordance with the SFAS No. 141, "Business Combinations."

NOTE 3 - SHORT-TERM BORROWINGS-BANK

On May 29, 2000 the Company entered into a one-year credit facility with Shenzhen Commercial Bank for RMB 16 million at 5.3125%. The credit facility is secured by shares in the Company owned by Dr. Lan, director and shareholder of the Company.

On Aug. 25, 2001, the one-year credit facility was extended to Aug. 25, 2002 at 5.3125%.

On May 13, 2002, the Company entered into another six-month credit facility with the same bank mentioned above for RMB 1.6 million at 5.544%. The credit facility is secured by Dr. Lan individually.

NOTE 4 - FOREIGN CURRENCY CONVERSION

The Company's financial information is presented in U.S. dollars. Reminbi, the functional currency of the Company, has been converted into U.S. dollars at the exchange rate of 8.3 to 1.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

BroadenGate Systems, Inc. is a software outsourcing service provider operating in the People's Republic of China. The Company develops comprehensive outsourcing solutions for systems development and implementation projects and provides consulting services in the telecom, network security, e-Business, ERP, CRM EGIS sectors.

We believe that we are well positioned for growth in the developing information technology ("IT") industry in the PRC and internationally. With the PRC joining the WTO and the Beijing's 2008 Olympics, the IT outsourcing demand should increase during the next several years.

Since its inception in 1996, the company has grown with the Chinese domestic IT industry. BroadenGate is now leveraging its domestic expertise to enter the global outsourcing market, and to co-op with leading multinational software vendors in the Chinese market, such as Oracle and IBM. Building on the synergy between the Chinese and global markets, BroadenGate hopes to continue to increase its market share at home and win higher-margined contracts abroad.

Recent Developments

The Company continues to increase its business base by forming partnerships with some of the leading telecom companies in the PRC, including Huawei Technology, which is among the largest manufacturers of telecommunications equipment in Asia. Our revenues are based on the following three project management centers (PMC).

8

1. Telecommunication & Internet Center: We have over 180 engineers currently working in this PMC, and have outstanding contracts for over 30 million RMB in 2002 with Huawei and potential contracts with AsiaInfo, which is among the largest telecom services and systems integration venders in China . We have reached an agreement of cooperation with the China Policy Security Bureau to use our solutions in Internet access, network management and security, which should produce significant marketing potential in China. 2. A Development & International Center: We have successfully finished a COBOL software development contract in Dalian with SCM a subsidiary of Mitsubishi Corporation. We are now negotiating with NEC China and Simens China for more contracts from Japan. 3. Project Management Software & System Integration Center: Our project management products, OnTeam and TZ-Project, have competitive advantages in many fields in China, such as civil engineering and software industry.

Besides outsourcing services, we also develop software with ownership of intellectual rights, such as BroadenGate Network Auditing System. We anticipate that it will increase our revenues and lower our operating risk.

We will focus on the Chinese and Japanese markets this year, mainly in the telecom industry. However, if the Company is to be a dominant player in the industry, it is critical to establish a physical presence in the US.

RESULTS OF OPERATIONS

Three months ended June 30,2002 compared to three months ended June 30,2001

Revenues. Revenues increased by $79,367 or 20 % to $468,228 for the three months ended June 30, 2002 from $388,861 for the same periods ended June 30, 2001. This increase in revenues resulted from additional software outsourcing. Our service market was also expanded during the second quarter.

Cost of Sales. Cost of sales increased by $83,727 or 27% to $390, 626 for the three months ended June 30, 2002 from $306,899 for the period ended June 30, 2001. Cost of sales as a percent of revenues was 83% for the three months ended June 30, 2002 compared to 79% for the period ended June 30, 2001. This increase in cost of sales resulted from increased revenues and a change in the mix of products sold. The increase in cost of sales as a percentage of revenue is attributable to an increased percentage of sales from human resource outsourcing which has a lower profit margin than software development.

Selling and Administrative Expenses. Selling and administrative expenses("SGA") increased by $339,236 or 178% to $529,691 for the three months ended June 30, 2002 from $190,455 for the period ended June 30, 2001. This increase in selling and administrative expenses was principally attributable to increased marketing and training expenses for our additional staff Additionally, a receivable of $285,735 was written off in the second quarter of 2002, as management considered it non-recoverable.

Other income, Net. Other income(expenses),net consists of interest income and expense, bank charges, recovery of prior expenses, foreign exchange gains or losses, other miscellaneous income, and investment income. Other expenses, net totaled $32,429 for the three months ended June 30, 2002, compared to other income, net of $82,570 for the period ended June 30, 2001. This decrease in other income, net resulted principally from increased bank interest and a lack of other income. Total investment income was zero for the second quarter in both 2002 and 2001. Bank interest increased by $2,992 to $34,758 for the three months ended June 30, 2002 from $31,766 for the period ended June 30, 2001, because of a new credit facility obtained on May 13,2002.

Income Taxes. There was no income tax expense for the three months ended June 30, 2002. These were refundable taxes of $1,564 for the period ended June 30, 2001.

Minority Interest. The minority interest represents the 20% interest in eSoftBank (Beijing) Software Systems Co. Ltd., the 47.6% of SiTech Hainan Ltd. and the 30% of Tongzhou (Dalian) Computer Co., Ltd., not owned by the Company.

As a result of the foregoing, the net loss increased by $476,257 to $484,518 for the three months ended June 30,2002 from $8,261 for the period ended June 30,2001. However, management believes that future trends will be better. Facing a large potential marketplace, we expect that our operations as a software outsourcing services provider and subcontracting platform will result in smaller losses and, ultimately, profitability. Notwithstanding our expectations, there is no assurance that we will ever become profitable.

9

Six months ended June 30,2002 compared to six months ended June 30,2001

Revenues. Revenues increased by $99,391 or 15 % to $743,424 for the six months ended June 30, 2002 from $644,033 for the period ended June 30, 2001. This increase in revenues resulted from additional software outsourcing.

Cost of Sales. Cost of sales increased by $113,343 or 24% to $594,217 for the six months ended June 30, 2002 from $480,874 for the period ended June 30, 2001. Cost of sales as a percent of revenues was 80% for the six months ended June 30, 2002 compared to 75% for the same periods ended June 30, 2001. This increase in cost of sales resulted from increased revenues and a change in the mix of products sold. The increase in cost of sales as a percentage of revenue is attributable to an increased percentage of sales from human resource outsourcing which has a lower profit margin than software development.

Selling and Administrative Expenses. Selling and administrative expenses("SGA") increased by $237,584 or 45% to $767,591 for the six months ended June 30, 2002 from $530,007 for the period ended June 30, 2001. This increase in selling and administrative expenses was principally attributable to increased marketing and training expenses. Additionally, a receivable of $285,735 was written off in the second quarter of 2002, as management considered it was non-recoverable.

Other income, Net. Other income(expenses),net consists of interest income and expense, bank charges, recovery of prior expenses, foreign exchange gains or losses, other miscellaneous income, and investment income. Other expenses, net totaled $2,864 for the six months ended June 30, 2002, compared to other income, net of $71,085 for the period ended June 30, 2001. This decrease in other income, net resulted principally from increased bank interest and a lack of other income. Total investment income was $59,488 for 2002, compared to zero for the corresponding period of 2001. The increase resulted from no cash dividend being distributed by Xiangyou and because bank interest increased by $3,301 to $66,014 for the six months ended June 30, 2002 from $62,713 for the period ended June 30, 2001, because of a new credit facility obtained on May 13,2002.

Income Taxes. No income tax was provided for the six months ended June 30, both 2002 and 2001 because of an operating loss in the both periods.

Minority Interest. Minority interest represents the 20% interest in eSoftBank (Beijing) Software Systems Co. Ltd., the 47.6% of SiTech Hainan Ltd. and the 30% of Tongzhou (Dalian) Computer Co., Ltd., not owned by the Company.

As a result of the foregoing, our net loss increased by $319,977 or 106% to $621,248 for the six months ended June 30,2002 from $301,271 for the period ended June 30,2001. However, management believes that future trends will be better. Facing a large potential marketplace, we expect that our operations as a software outsourcing services provider and subcontracting platform will result in smaller losses and, ultimately, profitability. Notwithstanding our expectations, there is no assurance that we will ever become profitable.

10

Liquidity and Capital Resources

As of June 30, 2002, we had cash of $65,140 and negative working capital of $2,818,935, compared with cash of $20,824 and negative working capital of $2,216,826 as of June 30, 2001.Our working capital has deteriorated principally as a result of our net operating loss.

Net cash used in operating activities totaled $311,741 for the six months ended June 30, 2002, compared with cash used in operations of $433,439 for the period ended June 30, 2001. The change in cash flows from operating activities resulted from an increased net operating loss and net changes in the current accounts which was partially offset by increased depreciation and amortization and the non-cash charge of the receivables write-off.

Net cash used in investing activities totaled $805 for the six months ended June 30, 2002, compared with cash used in investing activities of $90,812 for the same periods ended June 30, 2001. This change resulted from the absense of capital expenditures for product development costs and no other fixed assets.

Net cash used in financing activities totaled $585,574 for the six months ended June 30, 2002, compared with cash provided by financing activities of $156,916 for the period ended June 30, 2001. The net change is attributable to a repayment of bank indebtedness.

We have no plans for any major capital expenditures.

Based on the current level of cash, the deficit in working capital and current level of expenditures in our business, it will be necessary to seek additional sources of funding over the next twelve months. In addition to negotiating with our banks for more project finance to fund operations for the current year, management is accelerating its efforts to recover outstanding receivables.

However, without outside financing or the sale of stock the Company has insufficient resources to continue its business operation for the next twelve months. No assurance can be given that the Company will be able to obtain any financing or sell any of its shares.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities and Use of Proceeds.

None

Items 3 - 5. We have nothing to report under these items.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

99.1 Certificate of Chief Executive Officer and Chief Financial Officer

(b) Reports on Form 8-K - None.

[The remainder of this page intentionally left blank]

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Broadengate Systems, Inc.

By: /s/ Dr. Hongbing Lan
Dr. Hongbing Lan
Chief Executive Officer

By: /s/ Hongyu Lan
Lan Hongyu
Principal Accounting Officer

Dated: September 18, 2002

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date

------	--------	--------
/s/ Hongbing Lan ---------------- Dr. Hongbing Lan	Chairman, Chief Executive Officer	September 18, 2002
/s/ Xinmin Gao -------------- Mr. Xinmin Gao	Director	September 18, 2002
/s/ Fa Ding Liu --------------- Mr. Fa Ding Liu	Director	September 18, 2002