

CORPORATE BUSINESS DESCRIPTION

Bits Corp Plc (BITS), is a proven developer of video games software for the major console platforms. The development team, which was founded in 1990 by Foo Katan, has to date been responsible for the development of games which have sold more than approximately 4 million units and generated retail revenues in excess of \$140 million.

Currently BITS has 3 key areas of business:

- the design and development of video games for the next generation games consoles and Nintendo Gameboy Color;
- the development of Amber, a 3D technology and toolset; and
- the design and development of sponsored games to be played across the Internet.

BUSINESS OVERVIEW

Video games development

BITS' core games business is focused on the creation, design and development of games software for the major console platforms.

BITS has signed development agreements with major software entertainment publishers and distributors such as Fox Interactive, Nintendo and Midway Home Entertainment and is a licensed and approved developer across the next generation games consoles including Nintendo GameCube, Sony Playstation 2 and Nintendo GameBoy Advance. In addition, BITS has now signed an agreement to develop a game intended for the Microsoft X-Box platform.

BITS has over 50 product development staff, who design both original games and derivative games of well known licensed brands ranging from action games to character based titles. The Group's in-house production team deals with all aspects of the design, programming and audio production.

Amber Technology

BITS is developing Amber, proprietary technology and toolset that will enable a browser to navigate through the Internet in 3D format. Amber 3D software operates within a web page, either as a window or as a full screen, at video game speeds. The software allows navigators of the "3D world" to view or interact with products, places, goods or even other environments in a 3D format and will enable them to connect to other 3D worlds on the web via these objects which act as portals.

Games Magnet Limited (GML)

BITS has developed a portfolio of games and services, including a new generation of 3D games using Amber technology which are played through the Internet. Virtual Athlete, the first such game launched by the Group, requires players to collect and train characters and/or teams before entering them to compete against each other.

The GML portfolio of games and services has been designed to work in collaboration with key commercial and Internet sponsors providing them with the opportunity to promote their brand or product, or providing them with the opportunity of enhancing their websites by incorporating rich media content. Sponsors within the Virtual Athlete game include AOL, MSN, Kelloggs, Netscape and Sports.com.

CORPORATE STRATEGY

Building on an established track record in the video games market, BITS is consolidating and expanding its existing console games development business and generating further revenue streams by leveraging its technology and expertise towards the new Internet infrastructure and the Internet games markets, specifically through its Amber 3D technology and its subsidiary GML.

In addition, BITS is actively looking at suitable acquisitions and partnerships that will fit in with their overall Group strategy, and expect to announce some exciting developments over the next six months.

FINANCIAL OVERVIEW

Through the first half ending 30 September 2000, the first published accounts since their flotation on the AiM Stock Exchange, BITS has achieved a sales growth of 57% in line with their estimates, and achieved an operating loss of GBP495,000, ahead of expectations.