



成都托普科技股份有限公司
CHENGDU TOP SCI-TECH COMPANY LIMITED*

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

First Quarterly Report

2001

** for identification purpose only*

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

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Turnover for the three months ended 31st March, 2001 achieved a 416.78% period-to-period growth to approximately RMB35 million.

Profit attributable to shareholders for the three months ended 31st March, 2001 reached approximately RMB9.227 million. This was a loss for the three months ended 31st March, 2000 of approximately RMB2.58 million.

Earnings per share for the three months ended 31st March, 2001 rose to RMB0.0181 from a loss per share of RMB0.0051 over the same period in 2000.

The Company's H Shares were successfully listed on GEM on 30th March, 2001.

FIRST QUARTERLY RESULTS

The board of directors (the "Board") of Chengdu Top Sci-Tech Company Limited (the "Company") is pleased to announce its unaudited results for the three months ended 31st March, 2001 and the comparative for the corresponding period ended 31st March, 2000.

	For the three months ended 31st March,	
	2001 RMB'000	2000 RMB'000
Turnover (<i>note 3</i>)	35,007	6,774
Cost of sales	(19,554)	(6,159)
Gross profit	15,453	615
Selling expenses	(773)	(596)
General and administrative expenses	(1,418)	239
Amortisation of intangible assets	(3,611)	(3,611)
Subsidy income	1,814	377
Profit (loss) from operations	11,465	(2,976)
Interest expense, net	(531)	(159)
Other income, net	239	65
Profit (loss) before taxation	11,173	(3,070)
Taxation (<i>note 4</i>)	(1,946)	490
Profit (loss) attributable to shareholders	9,227	(2,580)
Earnings (loss) per share (<i>note 5</i>)	RMB0.0181	RMB(0.0051)

NOTES:

1. **Basis of preparation**

The Company was incorporated in the People's Republic of China as a joint stock limited liability company on 24th January, 1993. The Company's H Shares were successfully listed on GEM on 30th March, 2001.

2. **Principal accounting policies**

The principal accounting policies adopted in preparing the unaudited results of the Company conform to accounting principles generally accepted in Hong Kong and are consistent with those used in the Accountants' Report as set out in the Prospectus of the Company dated 26th March, 2001.

3. **Turnover**

The Company's turnover by major products is analyzed as follows:

	For the three months ended 31st March,	
	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
TS'98 Tax Management Information System	11,277	2,537
TPHMIS Housing Reform Management Information System	13,007	2,469
LED Display Control System	9,789	1,335
Government Administration System	444	0
Other solution systems	490	433
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Total	35,007	6,774
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4. Taxation

PRC Enterprise income tax (“EIT”)

According to the PRC relevant tax regulations, a New and High Technology Enterprise operating in a State Level New and High Technology Development Zone (“NHTDZ”) is entitled to a reduced EIT rate of 15%. The Company is recognized as a New and High Technology Enterprise and is registered in the Chengdu NHTDZ. Accordingly, the Company is subject to EIT at 15%.

Details of EIT charged during the relevant periods are as follows:

	For the three months ended 31st March,	
	2001 RMB'000	2000 RMB'000
Current taxation	1,970	0
Write-back of deferred taxation	(24)	(490)
Total	<u>1,946</u>	<u>(490)</u>

Hong Kong Profits tax

No provision for Hong Kong profits tax was made as the Company had no assessable profits for the three months ended 31st March, 2001 (three months ended 31st March, 2000: Nil).

There were no material unprovided deferred tax liabilities as at 31st March, 2001 (2000: Nil).

Value-added tax (“VAT”)

The Company is subject to output VAT levied at the rate of 17% on the total sales of goods. Input VAT paid on purchases can be used to offset the output VAT levied on sales of goods to determine the net VAT payable.

Business tax (“BT”)

The Company is subject to BT at rates ranging from 3% to 5% on gross revenue.

5. Earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit attributable to shareholders of approximately RMB9,227,000 for the three months ended 31st March, 2001 (three months ended 31st March, 2000: loss of approximately RMB2,580,000) and on the weighted average of 510,755,556 shares for the three months ended 31st March 2001 (during the three months period ended 31st March 2000: 507,000,000 shares in issue).

No diluted earnings per share for the three months ended 31st March 2000 and 2001 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

MOVEMENT IN RESERVES

During the three months ended 31st March, 2001, the Company has the following movement in reserves.

	Capital surplus <i>RMB'000</i>	Retained earnings <i>RMB'000</i>
Balance as at 1st January, 2001	(347)	63,032
Premium on issue of H Shares	112,251	0
Share issuing expenses	(15,717)	0
Profit attributable to shareholders	0	9,227
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Balance as at 31st March, 2001	<u>96,187</u>	<u>72,259</u>

Saved as disclosed above, there was no reserve movement in the Company's statutory surplus reserve fund, statutory public welfare fund, discretionary surplus reserve fund and revaluation surplus for the three months ended 31st March, 2001.

For the three months ended 31st March, 2000, other than the loss for the period, and conversion of retained earnings and capital surplus of approximately RMB13,943,000 and RMB11,407,000 respectively to share capital of the Company, there was no reserve movement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2001 (three months ended 31st March 2000: Nil).

BUSINESS REVIEW AND PROSPECTS

Business Review of the Company

Summary of Unaudited Results

	For the three months ended 31st March, 2001 <i>RMB'000</i>
Turnover	35,007
Profit before taxation	11,173
Profit attributable to shareholders	9,227

For the three months ended 31st March, 2001, the Company recorded a turnover of approximately RMB35,007,000 and a profit of approximately RMB9,227,000. This represented an increase of 4.17 times in terms of total revenue as compared with the same period last year. Owing to the Company's listing, growth of the market demand and continued enhancement of the management, the Company achieved significant improvement in its financial condition. As at 31st March 2001, cash and cash equivalent of the Company was approximately RMB146,000,000.

Product and Market

The acceleration of e-Government process and the continued enhancement of the technological standards have resulted in a broader market for the Company. Following the Company's continuous efforts on research and development and improvements of marketing capability, the products and services of the Company were further promoted and applied. Up to 31st March, 2001, in addition to the products and services previously accounted for, the Company has introduced new applications software products and services, which enabled the Company to explore new sales channels and markets.

Digital City project

With respect to the Digital City project, a project in which Chengdu Digital City Card Company Limited ("CDCCCL") intends to invest RMB500-1,000 million over a period of 3 to 5 years, the Company signed a letter of intent with CDCCCL on 29th November, 2000 in connection with development for CDCCCL proprietary applications software specifically tailored to support the administration of the City of Chengdu Digital City System. The Company has no financial obligation and commitment under the letter of intent with CDCCCL. Development of the project now commences and will bring ample contribution to the Company in the coming periods.

Research and Development

The Company is continuously focusing its efforts on the development of modular software. To keep abreast of market development, the Company has set up teams specializing in areas of multi-layer system integral framework structure designed for government administration, information security technology and embedded operating system. The development teams of the Company are committed to bring the modular software to meet every need and expectation of the customers in the market.

Prospects

The Directors believe that as an experienced and one of the major information technology (“IT”) solutions providers to government-related entities in the People’s Republic of China (“the PRC”), the Company sees exciting opportunities presented by the PRC government’s continuity to promote and encourage the development of IT industry and the continuous demand for advanced technology to improve the work quality and efficiency and standard of living.

DIRECTORS’ AND SUPERVISORS’ INTEREST IN SHARES

As at 31st March, 2001, the interests of the Directors and Supervisors and their respective associates in the share capital of the Company or its associated corporations, if any, as recorded in the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) to be notified to the Company and the Stock Exchange, immediately following the listing of H Shares, were as follows:

Name of Directors	Number of ordinary shares of RMB0.10 each			Total
	Personal interests	Family interests	Corporate interests	
Mr. Li Zheng Bin	1,000,000 ⁽¹⁾	Nil	39,000,000 ^{(1),(2)}	40,000,000
Mr. Yang Shu Cheng	730,000 ⁽¹⁾	Nil	Nil	730,000
Mr. Huang Wei Bin	156,000 ⁽¹⁾	Nil	Nil	156,000
Mr. Chen Zhong Hao	468,000 ⁽¹⁾	Nil	Nil	468,000
Mr. Tang Hong Hu	364,000 ⁽¹⁾	Nil	Nil	364,000

Name of Supervisors

Mr. Chen Bao Yu	28,000 ⁽¹⁾	Nil	Nil	28,000
Mr. Wang Hua	22,000 ⁽¹⁾	Nil	Nil	22,000
Mr. Hu Yun Xu	208,000 ⁽¹⁾	Nil	Nil	208,000

NOTES:

1. These shares are Domestic Shares of the Company.
2. These shares are held by Sichuan Top Sci-Tech Development Company Limited (“Top Development”). Mr. Li Zheng Bin owns Top Development as to 1.58%.

Save as disclosed above, none of the Directors, supervisors, or their respective associates had, as at 31st March, 2001, any interests in the share capital of the Company or its associated corporations, if any, as recorded in the registrar required to be kept under Section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

During the three months ended 31st March, 2001, none of the Directors or Supervisors was granted options to subscribe for H Shares of the Company. As at 31st March, 2001, none of the Directors or the Supervisors had any rights to acquire H Shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register, which is required to be kept under Section 16(1) of the SDI Ordinance, revealed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company.

Name of Shareholder	Number of ordinary shares of RMB0.10 each	Percentage of issued share capital
Top Development	344,500,000 ^{(1),(2)}	50.95%
Sichuan Top Software Company Limited ("Top Software")	286,000,000 ^{(1),(3)}	42.30%
Labour Association of Top Development	344,500,000 ^{(1),(4)}	50.95%

NOTES:

1. These shares are Domestic Shares of the Company.
2. Top Development holds 5.77% direct interest in the Company. Top Development owns 34.96% of Top Software, which owns 40.38% of the Company. Top Software owns 70% of Sichuan Top Electronics Technology Company Limited ("Top Electronics"), which owns 1.92% of the Company. Top Development owns 80% of Chengdu Top Information Network Engineering Company Limited, which owns 1.92% of the Company. Top Development owns 60% of Chengdu Tuoan Sci-Tech Information Company Limited, which owns 0.96% of the Company.
3. Top Software owns 70% of Top Electronics, which owns 1.92% of the Company. Top Software's direct interest in the Company is 40.38%.

4. The Labour Association of Top Development owns 34.39% of Top Development. As to Top Development's interest in the Company, please see note 1 above.

Save as disclosed above, the Directors and Supervisors are not aware of any other person having an interest in the issued share capital representing 10% or more of the issued share capital of the Company.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Company.

SPONSOR'S INTEREST

As at 31st March, 2001, the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("Core Pacific - Yamaichi"), its directors, employees or associates did not have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company.

Pursuant to the Sponsor's agreement dated 23rd March, 2001 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 30th March, 2001 to 31st December, 2003.

YEAR 2000 COMPLIANCE

In the Company's Prospectus, the Directors reported that the Company has taken all necessary steps to ensure that all the Company's computers and software are year 2000 compliant. The Company has not encountered any material difficulties in all functional areas arising from the year 2000 compliance issue since 1st January 2000.

AUDIT COMMITTEE

An audit committee was established on 8th March, 2001 with written terms of reference in compliance with Rule 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company.

The audit committee comprises four members namely, the three independent non-executive Directors, Mr. Yang Ji Ke, Mr. Li Ming Shu, Mr. Lin Wan Xiang and one executive Director, Mr. Fan Jing Ru.

The audit committee, who were of the opinion that the preparation of unaudited results complied with applicable accounting standards, the Exchange and legal requirements and that adequate disclosures had been made, has reviewed the Company's unaudited results for the three months ended 31st March, 2001.

PURCHASE, SALE OR REDEMPTION OF the Company's H SHARES

During the three months ended 31st March, 2001, the Company did not purchase, sell or redeem any of the Company's H Shares.

By order of the Board
Li Zheng Bin
Chairman

Chengdu, the PRC, 14th May, 2001