



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)

**Interim 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 of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, 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 six months ended 30th June, 2001 achieved a 82% period-to-period growth to approximately RMB69.366 million.

Profit attributable to shareholders for the six months ended 30th June, 2001 reached approximately RMB23.17 million. This represented an increase of 195% as compared with the profit for the six months ended 30th June, 2000 of approximately RMB7.853 million.

Earnings per share for the six months ended 30th June, 2001 increased to RMB0.039 from RMB0.0155 over the same period in 2000.

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

## INTERIM 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 six months and three months ended 30th June, 2001 and the comparatives for the corresponding period in 2000.

	For the six months ended 30th June,		For the three months ended 30th June,	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Turnover ( <i>note 3</i> )	69,366	38,151	34,359	31,377
Cost of sales	(36,361)	(20,092)	(16,807)	(13,933)
Gross profit	33,005	18,059	17,552	17,444
Selling expenses	(2,584)	(1,445)	(1,811)	(849)
General and administrative expenses	(4,139)	190	(2,720)	(49)
Amortization of intangible assets	(7,222)	(7,222)	(3,611)	(3,611)
Subsidy income	8,554	377	6,739	0
Profit from operations	27,614	9,959	16,149	12,935
Interest expense, net	(643)	(821)	(112)	(662)
Other income, net	554	718	315	653
Profit before taxation	27,525	9,856	16,352	12,926
Taxation ( <i>note 4</i> )	(4,355)	(2,003)	(2,409)	(2,493)
Profit after taxation	23,170	7,853	13,943	10,433
Earnings per share ( <i>note 5</i> )	RMB0.039	RMB0.0155	RMB0.0206	RMB0.0206

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 used in the preparation of the unaudited income statement of the Company for the six months ended 30th June, 2001 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:

	<b>For the six months ended 30th June,</b>		<b>For the three months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
TS'98 Tax Management Information System	22,556	15,618	11,279	13,081
TPHMIS Housing Reform Management Information System	21,516	18,159	8,509	15,690
LED Display Control System Government Administration System	16,199	3,905	6,410	2,570
Other solution systems	5,752	0	5,308	0
	3,343	469	2,853	36
	<u>69,366</u>	<u>38,151</u>	<u>34,359</u>	<u>31,377</u>

#### 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 six months ended 30th June,		For the three months ended 30th June,	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Current taxation	4,408	2,200	2,438	2,200
Provision for (write-back of) deferred taxation	(53)	(197)	(29)	293
Total	<u>4,355</u>	<u>2,003</u>	<u>2,409</u>	<u>2,493</u>

##### Hong Kong Profits tax

No provision for Hong Kong profits tax was made as the Company had no assessable profits for the six months ended 30th June, 2001 (six months ended 30th June, 2000: Nil).

There were no material unprovided deferred tax liabilities as at 30th June, 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.

Pursuant to Chuan Xin Xin [2001] No. 77 jointly issued by Sichuan Province Information Industry Office, Sichuan Province State Tax Bureau and Sichuan Province Local Tax Bureau, and Cai Shui [2000] No. 25 jointly issued by Ministry of Finance, State Tax Bureau and Customs Head Office, after the Company had paid VAT on the sales of its self-developed software products, the Company is entitled to tax refund on the portion that the actual VAT liability is in excess of 3%.

##### Business tax (“BT”)

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

## 5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the six months and three months ended 30th June, 2001 of respectively approximately RMB23,170,000 and RMB13,943,000 (six months and three months ended 30th June, 2000: approximately RMB7,853,000 and RMB10,433,000 respectively) and on the weighted average of 593,834,254 shares and 676,000,000 shares respectively for the six months and three months ended 30th June, 2001 (2000: 507,000,000 shares in issue for both periods).

No diluted earnings per share for the six months and three months ended 30th June, 2000 and 2001 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

## MOVEMENT IN RESERVES

During the six months ended 30th June, 2001, the Company recorded the following movement in reserves.

	<b>Capital surplus</b> <i>RMB'000</i>	<b>Statutory surplus reserve fund</b> <i>RMB'000</i>	<b>Statutory public welfare fund</b> <i>RMB'000</i>	<b>Retained earnings</b> <i>RMB'000</i>
Balance as at				
1st January, 2001	(347)	13,522	7,936	63,032
Premium on issue of H shares, net of share issuing expenses	96,754	0	0	0
Profit attributable to shareholders	0	0	0	23,170
Appropriations from profit	0	2,683	1,342	(4,025)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance as at 30th June, 2001	<u>96,407</u>	<u>16,205</u>	<u>9,278</u>	<u>82,177</u>

Saved as disclosed above, there was no reserve movement in the Company's discretionary surplus reserve fund and revaluation surplus for the six months ended 30th June, 2001.

For the six months ended 30th June, 2000, other than the profit 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 six months ended 30th June, 2001 (six months ended 30th June, 2000: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Business Review of the Company**

#### **Summary of Unaudited Results**

	<b>For the six months ended 30th June, 2001</b> <i>RMB'000</i>
Turnover	69,366
Profit before taxation	27,525
Profit attributable to shareholders	23,170

For the six months ended 30th June, 2001, the Company recorded a turnover of approximately RMB69,366,000 and a profit of approximately RMB23,170,000. This represented an increase of 82% in terms of total revenue as compared with the same period last year. As a result of 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 30th June, 2001, cash and cash equivalent of the Company amounted to approximately RMB172,724,000.

#### **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 in marketing capability, the products and services of the Company were further promoted and applied. At the same time, the Company has been actively extending its marketing points in the mainland and further its research centers to overseas. Up to 30th June, 2001, in addition to the products and services previously accounted for, the Company has introduced new applications software products and services that 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 million to RMB1,000 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 nor commitment under the letter of intent with CDCCCL. Development of the project is processing 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 PRC, the Company anticipates 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.

The PRC’s entry into the World Trade Organization (“WTO”) will foster the economic growth of all business sectors. There will be an increasing need for the government-related entities to provide efficient and effective administrative information system in the mainland. The Company forecasts that its product, Government Administration System, suits the need and will bring significant growth prospects to the Company.



## COMPARISON OF ACTUAL BUSINESS PROGRESS TO BUSINESS OBJECTIVES

Set out below is a comparison between the Company's actual business progress and its business objectives for the period under review, as set out in the Prospectus:

<b>Principal area</b>	<b>Key business objectives</b>	<b>Actual business progress</b>
<b>IT Solution Development</b>		
Government administration framework software basing on multi-layer system	Complete overall planning of design of system framework of government administration frameworks software.	The Company completed overall planning of design of system framework of government administration framework software in June 2001. Currently, the Company is undergoing the overall design of service platform for testing use.
Biometric finger print identifying system	Project research and data collection. Setting up overall guidelines for project design. Setting up modules, process flow, composite drawings and design drawings of project system software.	The Company completed project research and data collection, set up overall guidelines for project design and set up modules process flow, composite drawings and design drawings of project system software in June 2001. Currently, the Company is undergoing the setting up project system, design guidelines for terminals.
Embedded electronic display system	Feasibility study on embedded electronic display system	The Company completed feasibility study on embedded electronic display system in June 2001. Currently, the Company is undergoing the development on system hardware.

Principal area	Key business objectives	Actual business progress
<b>Marketing</b>		
Marketing activities	Set up information technological center in USA; construction of basic facilities for the technology and information center in the USA (including office space, site construction development, software and hardware development environment construction, office equipment and operation expenses in the initial stage).	Owing to the domestic foreign exchange control and relevant procedures, the Company's set up information technological center in USA is still under processing.
	Promote brand image of TOP and the products through CCTV.	The Company has promoted brand image of TOP and the products through CCTV since April 2001.

## DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

As at 30th June, 2001, the interests of the Directors and Supervisors and their respective associates in the share capital of the Company or any of its associated corporations 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, were as follows:

Name of Directors	Number of ordinary shares of RMB0.10 each			
	Personal interests	Family interests	Corporate interests	Total
Mr. Li Zheng Bin	1,000,000 <sup>(1)</sup>	Nil	39,000,000 <sup>(1),(2)</sup>	40,000,000
Mr. Yang Shu Cheng	730,000 <sup>(1)</sup>	Nil	Nil	730,000
Mr. Huang Wei Bin	156,000 <sup>(1)</sup>	Nil	Nil	156,000
Mr. Chen Zhong Hao	468,000 <sup>(1)</sup>	Nil	Nil	468,000
Mr. Tang Hong Hu <sup>(3)</sup>	364,000 <sup>(1)</sup>	Nil	Nil	364,000
<b>Name of Supervisors</b>				
Mr. Chen Bao Yu	28,000 <sup>(1)</sup>	Nil	Nil	28,000
Mr. Wang Hua	22,000 <sup>(1)</sup>	Nil	Nil	22,000
Mr. Hu Yun Xu	208,000 <sup>(1)</sup>	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%.
3. Mr. Tang Hong Hu resigned as executive director of the Company on 28th July, 2001.

Save as disclosed above, none of the Directors, Supervisors, or their respective associates had, as at 30th June, 2001, any interests in the share capital of the Company or any of its associated corporations as recorded in the register 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 six months ended 30th June, 2001, none of the Directors or Supervisors was granted options to subscribe for H Shares of the Company. As at 30th June, 2001, none of the Directors or the Supervisors had any right to acquire H Shares in the Company.

**SUBSTANTIAL SHAREHOLDERS**

As at 30th June, 2001, the register, which is required to be kept under Section 16(1) of the SDI Ordinance, showed that the Company had been notified of the following interests, being 10% or more of the issued share capital of the Company.

<b>Number of Shareholder</b>	<b>Name of ordinary shares of RMB0.10 each</b>	<b>Percentage of issued share capital</b>
Top Development	344,500,000 <sup>(1),(2)</sup>	50.95%
Sichuan Top Software Company Limited (“Top Software”)	286,000,000 <sup>(1),(3)</sup>	42.30%
Labour Association of Top Development	344,500,000 <sup>(1),(4)</sup>	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 (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.

## **APPOINTMENT AND RESIGNATION OF EXECUTIVE DIRECTORS**

Mr. Tang Hong Hu resigned as executive director of the Company in a meeting of the Company's directors on 28th July, 2001. The Board would like to take this opportunity to express its appreciation for his contribution towards the Company during his term of service. Mr. Tang Hong Hu remains in the senior management of the Company.

Mr. Li Yan will be promoted from the position of chief executive officer to the position of executive director of the Company. The date of appointment will be effective upon the final approval by the shareholders of the Company in an extraordinary general meeting to be convened on 15th September, 2001.

Mr. Li Yan, aged 46, has obtained a doctor's degree from the University of Liverpool John Moores and a post-doctorate degree from the University of Wales, Cardiff, and was a research associate of Cambridge University, United Kingdom. Dr. Li is currently the chief executive officer of the Company. Before joining the Company, Dr. Li has been engaged in several scientific research projects in the PRC and participated in several research projects of EPSRC (Engineering Physical Sciences Research Council) and of the European Union for 15 years. Dr. Li is currently a member of IEEE (Institute of Electrical and Electronics Engineers) and ASME (American Society of Mechanical Engineers).

## **COMPETING INTERESTS**

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

## **SPONSOR'S INTEREST**

As at 30th June, 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.

## **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 had reviewed the Company's unaudited results for the six months ended 30th June, 2001 and was of the opinion that the preparation of unaudited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S H SHARES**

During the six months ended 30th June, 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, 13th August, 2001