



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)

Third Quarterly Report

2001

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 nine months ended 30th September, 2001 achieved a 82% period-to-period growth to approximately RMB83.227 million.

Profit attributable to shareholders for the nine months ended 30th September, 2001 reached approximately RMB25.557 million. This represented an increase of 238% as compared with the profit for the nine months ended 30th September, 2000 of approximately RMB7.55 million.

Earnings per share for the nine months ended 30th September, 2001 increased to RMB0.0411 from RMB0.0149 over the same period in 2000.

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

THIRD 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 nine months and three months ended 30th September, 2001 and the comparatives for the corresponding period in 2000.

	For the nine months ended 30th September,		For the three months ended 30th September,	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Turnover (note 3)	83,227	45,623	13,861	7,472
Cost of sales	(46,790)	(26,954)	(10,429)	(6,862)
Gross profit	36,437	18,669	3,432	610
Selling expenses	(4,059)	(2,406)	(1,475)	(961)
General and administrative expenses	(4,676)	(1,565)	(537)	(1,755)
Amortization of intangible assets	(10,833)	(10,833)	(3,611)	(3,611)
Subsidy income	13,549	5,920	4,995	5,543
Profit/(loss) from operations	30,418	9,785	2,804	(174)
Interest expense, net	(1,017)	(1,357)	(374)	(536)
Other income, net	853	922	299	204
Profit/(loss) before taxation	30,254	9,350	2,729	(506)
Taxation (note 4)	(4,697)	(1,800)	(342)	203
Profit/(loss) after taxation	25,557	7,550	2,387	(303)
Earnings/(loss) per share (note 5)	RMB0.0411	RMB0.0149	RMB0.0035	(RMB0.0006)

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 nine months ended 30th September, 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:

	For the nine months ended 30th September,		For the three months ended 30th September,	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
TS'98 Tax Management Information System	26,404	17,427	3,848	1,809
TPHMIS Housing Reform Management Information System	22,799	20,413	1,283	2,254
LED Display Control System	17,865	7,239	1,666	3,334
Government Administration System	12,353	0	6,601	0
Other solution systems	3,806	544	463	75
	<u>83,227</u>	<u>45,623</u>	<u>13,861</u>	<u>7,472</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 nine months ended 30th September,		For the three months ended 30th September,	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Current taxation	4,775	2,200	367	0
Provision for (write-back of) deferred taxation	(78)	(400)	(25)	(203)
Total	<u>4,697</u>	<u>1,800</u>	<u>342</u>	<u>(203)</u>

Hong Kong Profits tax

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

There were no material unprovided deferred tax liabilities as at 30th September, 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/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to shareholders for the nine months and three months ended 30th September, 2001 of respectively approximately RMB25,557,000 and RMB2,387,000 (nine months and three months ended 30th September, 2000: approximately RMB7,550,000 and (RMB303,000) respectively) and on the weighted average of 621,523,810 shares and 676,000,000 shares respectively for the nine months and three months ended 30th September, 2001 (2000: 507,000,000 shares in issue for both periods).

No diluted earnings/(loss) per share for the nine months and three months ended 30th September, 2000 and 2001 have been presented because there were no dilutive potential shares in existence during the periods.

MOVEMENT IN RESERVES

During the nine months ended 30th September, 2001, the Company recorded the following movement in reserves.

	Capital surplus	Statutory surplus reserve fund	Statutory public welfare fund	Retained earnings
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<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	25,557
Appropriations from profit	0	2,683	1,342	(4,025)
Balance as at 30th June, 2001	<u>96,407</u>	<u>16,205</u>	<u>9,278</u>	<u>84,564</u>

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

For the nine months ended 30th September, 2000, other than the profit for the period, conversion of retained earnings and capital surplus of approximately RMB13,943,000 and RMB11,407,000 respectively to share capital of the Company and appropriations from profit to statutory surplus reserve fund and statutory public welfare fund of approximately RMB1,324,000 and RMB662,000 respectively, there was no reserve movement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2001 (nine months ended 30th September, 2000: Nil).

BUSINESS REVIEW AND PROSPECTS

Business Review of the Company

Summary of Unaudited Results

**For the nine
months ended 30th
September, 2001**
RMB'000

Turnover	83,227
Profit before taxation	30,254
Profit attributable to shareholders	25,557

For the nine months ended 30th September, 2001, the Company recorded a turnover of approximately RMB83,227,000 and a profit of approximately RMB25,557,000. 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 September, 2001, cash and cash equivalent of the Company amounted to approximately RMB152,525,000.

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 on enhancement 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 mainland China and further its research centers to overseas. Up to 30th September, 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. Recently, CDCCCL has offered several unfavourable terms to the Company for the development of the project. The Directors consider that acceptance of the aforesaid terms are not for the benefit of the Company’s shareholders. Currently, the Company goes negotiation with CDCCCL and hence, the project is put on hold.

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 the needs and expectations 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 demand from the government-related entities for provision of 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.

DIRECTORS' AND SUPERVISORS' INTEREST IN SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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.

Name of Shareholder	Number of 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 (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 was promoted from the position of chief executive officer to the position of executive director of the Company. The date of appointment was approved effective on 15th September, 2001 by the shareholders of the Company in an extraordinary general meeting.

Mr. Li Yan, aged 46, has obtained a doctoral 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 also 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 September, 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 nine months ended 30th September, 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 nine months ended 30th September, 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, 1st November, 2001