



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 2003

** For identification purposes only*

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

The Exchange takes no responsibility for the contents of this report, 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 report.

This report, for which the directors of the Company 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS

The board of directors (the “Board”) of Chengdu Top Sci-Tech Company Limited (the “Company”) announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 and the comparatives for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the six months ended 30 June		For the three months ended 30 June	
		2003 (unaudited) RMB'000	2002 (unaudited) RMB'000	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
Turnover	3	13,346	48,796	5,395	37,992
Cost of sales		(6,524)	(31,802)	(2,828)	(25,072)
Amortization of intangible assets		(6,511)	(7,222)	(3,256)	(3,611)
Gross profit (loss)		311	9,772	(689)	9,309
Other revenue	3	1,060	2,642	328	1,289
Distribution costs		(1,628)	(2,999)	(788)	(1,604)
Administrative expenses		(1,619)	(4,324)	(928)	(3,489)
Other operating expenses		(146)	(153)	(74)	(67)
(Loss) profit from operations	4	(2,022)	4,938	(2,151)	5,438
Finance costs		(3)	(1,077)	(2)	(540)
Income from investment securities		—	705	—	705
Subsidy income	5	564	3,387	9	3,387
(Loss) profit before taxation		(1,461)	7,953	(2,144)	8,990
Taxation	2(a), 6(a)	(520)	(2,150)	(235)	(2,465)
(Loss) profit after taxation		(1,981)	5,803	(2,379)	6,525
Minority interests		588	(334)	9	(338)
(Loss) profit attributable to shareholders		(1,393)	5,469	(2,370)	6,187
Dividends	7	—	—	—	—
Basic (loss) earnings per share	8	RMB(0.0021)	RMB0.0081	RMB(0.0035)	RMB0.0092

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2003 (unaudited) RMB'000	As at 31 December 2002 (audited) RMB'000
Non-current assets			
Intangible assets, net	9	47,884	54,395
Fixed assets, net	10	82,804	83,981
Investment securities		9,050	9,050
Deferred tax assets	2(a), 6(a)	3,134	2,922
		<u>142,872</u>	<u>150,348</u>
Current assets			
Inventories, net	11	12,865	9,493
Trade and other receivables, net	12	113,088	64,795
Due from related parties		2,245	3,435
Bank balances and cash		90,548	133,636
		<u>218,746</u>	<u>211,359</u>
Current liabilities			
Trade payables	13	14,300	11,184
Other payables and accruals		16,979	12,382
Taxation payable		1,008	7,127
Provision for warranty		157	143
Due to related parties		1,277	1,129
		<u>33,721</u>	<u>31,965</u>
Net current assets		<u>185,025</u>	<u>179,394</u>
Total assets less current liabilities		327,897	329,742
Non-current liabilities			
Deferred tax liabilities	2(a), 6(a)	5,606	5,670
Net assets		<u>322,291</u>	<u>324,072</u>
Financed by:			
Share capital	14	67,600	67,600
Reserves	2(a)	170,080	170,080
Retained earnings	2(a)	74,614	76,007
		<u>312,294</u>	<u>313,687</u>
Minority interests		9,997	10,385
		<u>322,291</u>	<u>324,072</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June 2003 (unaudited) RMB'000	For the six months ended 30 June 2002 (unaudited) RMB'000
Net cash used in operating activities	(43,123)	(18,720)
Cash flows from investing activities		
Purchases of fixed assets	(170)	(73)
Proceed from disposal of fixed assets	5	7
Increase in investment securities	—	(705)
Dividend income from investment securities	—	705
Net cash used in investing activities	(165)	(66)
Cash flows from financing activities		
Capital injection by minority shareholders	200	9,000
Net cash generated from financing activities	200	9,000
Net decrease in cash and cash equivalents	(43,088)	(9,786)
Cash and cash equivalents, beginning of period	133,636	151,821
Cash and cash equivalents, end of period	90,548	142,035

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) RMB'000	Capital surplus (unaudited) RMB'000	Revaluation surplus (unaudited) RMB'000	Statutory			Retained earnings (unaudited) RMB'000	Total (unaudited) RMB'000
				surplus reserve (unaudited) RMB'000	public welfare fund (unaudited) RMB'000	Discretionary surplus reserve (unaudited) RMB'000		
As at 1 January 2002								
- As previously reported	67,600	96,407	39,485	17,136	9,743	10,220	86,198	326,789
- Prior period adjustments for deferred taxation (Note 2(a))	—	—	(5,923)	—	—	—	2,623	(3,300)
- As restated	67,600	96,407	33,562	17,136	9,743	10,220	88,821	323,489
Profit attributable to shareholders	—	—	—	—	—	—	5,469	5,469
Transfer to reserves	—	—	—	1,058	529	—	(1,587)	—
Dividends (Note 7(b))	—	—	—	—	—	—	(13,520)	(13,520)
As at 30 June 2002	<u>67,600</u>	<u>96,407</u>	<u>33,562</u>	<u>18,194</u>	<u>10,272</u>	<u>10,220</u>	<u>79,183</u>	<u>315,438</u>
As at 1 January 2003								
- As previously reported	67,600	96,407	39,485	19,144	10,747	10,220	72,832	316,435
- Prior period adjustments for deferred taxation (Note 2(a))	—	—	(5,923)	—	—	—	3,175	(2,748)
- As restated	67,600	96,407	33,562	19,144	10,747	10,220	76,007	313,687
Loss attributable to shareholders	—	—	—	—	—	—	(1,393)	(1,393)
As at 30 June 2003	<u>67,600</u>	<u>96,407</u>	<u>33,562</u>	<u>19,144</u>	<u>10,747</u>	<u>10,220</u>	<u>74,614</u>	<u>312,294</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Organisation and operations

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

The principal activities of the Group include the provision of system solution services and other value added services such as technology consultancy, after-sales support and training services, and sales of information technology related products. The Company is also engaged in research, development, production and distribution of information technology solutions for government administration systems.

2. Basis of preparation and principal accounting policies

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and accounting principles generally accepted in Hong Kong and with the disclosure requirements of the Rules Governing the Listing Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The principal accounting policies adopted in the accounts are consistent with those used in the annual financial statements for the year ended 31 December 2002 of the Group, except that the Group has adopted the following revised or new SSAP issued by HKSA which are effective for accounting periods commencing on or after 1 January 2003.

SSAP 12 (revised) : Income taxes

SSAP 35 : Accounting for government grants and disclosure of government assistance

The changes to the Group's accounting policies and the effect of adopting these new policies are set out as below:

- (a) SSAP 12 (revised) "Income taxes" prescribes the accounting treatment for income taxes, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in a material change to the previously adopted accounting treatment for income taxes such that deferred taxation are required to be re-accounted for under the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Such a change of accounting policy has been applied retrospectively so that the deferred taxation and its related comparatives presented have been restated to conform with the changed policy, resulting in (i) the opening revaluation surplus both as at 1 January

2002 and as at 1 January 2003 have been reduced by approximately RMB5,923,000; (ii) the profit for the six months ended 30 June 2002 and loss for the three months ended 31 March 2002 have been approximately increased by RMB276,000 and dropped by RMB138,000 respectively, and the loss for the six months ended 30 June 2003 and profit for the three months ended 31 March 2003 have been approximately dropped by RMB276,000 and increased by RMB138,000 respectively; and (iii) the opening retained earnings as at 1 January 2002 and as at 1 January 2003 have been adjusted upward by approximately RMB2,623,000 and RMB3,175,000 respectively. The figures mentioned in the above prior period adjustments for deferred taxation have not been audited.

- (b) SSAP 35 "Accounting for government grants and disclosure of government assistance" prescribes the recognition and measurement criteria to apply to government grants, together with the required disclosures in respect of government grants and other forms of government assistance. The adoption of this SSAP has been made prospectively and only to grants or portions of grants becoming receivable or repayable after 1 January 2003 as permitted under paragraph 42(a)(ii) of the SSAP 35.

3. Turnover and revenue

Revenues of the Group recognised during the period are as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of software and information system	12,601	28,874	5,395	18,070
Sales of information technology related products	745	19,922	(10)	19,922
	<u>13,346</u>	<u>48,796</u>	<u>5,395</u>	<u>37,992</u>
Other revenue				
Rental income	719	750	344	417
Interest income	326	1,301	21	283
Other	15	591	(37)	589
	<u>1,060</u>	<u>2,642</u>	<u>328</u>	<u>1,289</u>
Total revenues	<u><u>14,406</u></u>	<u><u>51,438</u></u>	<u><u>5,723</u></u>	<u><u>39,281</u></u>

4. (Loss) profit from operations

(Loss) profit from operations is stated after charging and crediting the following:

	For the six months ended 30 June		For the three months ended 30 June	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Charging				
Amortization of intangible assets	6,511	7,222	3,256	3,611
Depreciation of fixed assets	1,341	1,864	666	797
Loss on disposal of fixed assets	1	—	1	—
Staff costs (including directors' and supervisors' emoluments)				
— Salaries, bonuses and wages	1,767	3,130	792	1,213
— Staff welfare fund	201	450	91	182
Cost of sales	6,524	31,802	2,828	25,072
Provision for inventory obsolescence	—	—	180	509
Provision for doubtful debts	—	2,661	49	1,745
Provision for warranty	70	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Crediting				
Write-back of provision for inventory obsolescence	449	587	—	—
Write-back of provision for doubtful debts	883	—	—	—
Write-back of provision for warranty	—	169	31	16
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. Subsidy income

	For the six months ended 30 June		For the three months ended 30 June	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Financial refund (a)	—	2,172	—	2,172
Tax refund (b)	564	1,215	9	1,215
	<u>564</u>	<u>3,387</u>	<u>9</u>	<u>3,387</u>

- (a) Pursuant to Jin Cai Fa [1998] No. 10 and Jin Cai Fa [1999] No. 22 issued on 8 April 1998 and 1 June 1999 respectively by the Finance Bureau of Jin Niu District of Chengdu City, in order to support the development of the Company, the Company is entitled to a financial refund based on the conditions as stipulated in the notices. The financial refund is recorded as subsidy income and is recognised on cash basis. According to Circular Guo Fa [2000] No. 2 issued by the State Council in January 2000, the above-mentioned financial refund would require approval from the State Council or it will cease to be available. As such, there is no assurance that the Company can enjoy such financial refund in the future.
- (b) In accordance with Cai Shui [2000] No. 25 issued on 22 September 2000 by the Ministry of Finance and State Administration for Taxation, the Company is entitled to a reduced value added tax ("VAT") rate of 3% for the sales of certain approved software products. The Company is required to pay the VAT at normal rate of 17%, and the VAT paid in excess of the VAT computed at the reduced rate will be refunded to the Company. The refund is recorded as subsidy income.

6. Taxation

(a) Enterprise income tax ("EIT")

In accordance with 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 Chengdu NHTDZ. Accordingly, the Company is subject to EIT at 15%.

The subsidiaries of the Company are subject to EIT at 33%.

There were no Hong Kong profits tax liabilities as the Group did not earn any income which was subject to Hong Kong profits tax.

The amount of taxation charged to the consolidated profit and loss account represents:

	For the six months ended 30 June		For the three months ended 30 June	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Current taxation				
— Provision for current tax	232	2,650	(191)	2,650
— Adjustment recognised in the period for current tax of prior periods	564	—	564	—
Deferred taxation relating to the origination and reversal of temporary differences (Note 2(a))	(276)	(500)	(138)	(185)
Total	<u>520</u>	<u>2,150</u>	<u>235</u>	<u>2,465</u>

The taxation of the Group's (loss) profit before taxation differs from the theoretical amount that would arise using the taxation rate of the Company as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
(Loss) profit before taxation	(1,461)	7,953	(2,144)	8,990
Calculated at a taxation rate of 15% (2002: 15%)	(219)	1,193	(322)	1,349
Effect of different taxation rates in subsidiaries	(468)	197	(45)	218
Income not subject to taxation	(85)	(288)	(1)	(288)
Expenses not deductible for taxation purposes	146	1,548	94	1,371
Tax losses not recognised	858	—	83	—
Adjustment recognised in the period for current tax of prior periods	564	—	564	—
Utilisation of temporary difference arising from revaluation surplus of fixed assets (Note 2(a))	(64)	(64)	(32)	(32)
Recognition of temporary difference arising from decelerated amortization allowance of intangible assets (Note 2(a))	(212)	(212)	(106)	(106)
Recognition of temporary difference arising from unused tax losses	—	(224)	—	(47)
Taxation charge	520	2,150	235	2,465

The amount of deferred tax assets recognised in the consolidated balance sheet represents (Note 2(a)):

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Temporary difference arising from decelerated amortization allowance of intangible assets	3,134	2,922

The amount of deferred tax liabilities recognised in the consolidated balance sheet represents (Note 2(a)):

	As at 30 June 2003 RMB'000	As at 31 December 2002 RMB'000
Temporary difference arising from revaluation surplus of fixed assets	5,606	5,670

As at 30 June 2003, the amounts, expired by the end of 2007 and 2008, of unused tax losses for which no deferred tax asset was recognised in the balance sheet were approximately RMB84,000 and RMB858,000 respectively, totalled approximately RMB942,000 (as at 31 December 2002: approximately RMB84,000).

(b) *Value-added tax ("VAT")*

Individual companies within the Group are 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.

(c) *Business tax ("BT")*

Individual companies within the Group are subject to BT on the provision of maintenance, support and training services at rates ranging from 3% to 5% on gross revenue.

(d) *Surtaxes*

Individual companies within the Group are subject to the following surtaxes:

- City construction and maintenance tax, a tax levied at 7% of net VAT payable and BT payable; and
- Education supplementary tax, a tax levied at 3% of net VAT payable and BT payable.

The Company has been recognised as a sino-foreign jointly owned company on 15 July 2002, and is entitled to exemption from the above surtaxes in accordance with relevant tax regulations as from that date.

7. Dividends

(a) **Interim dividend attributable to the six months**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

(b) **Dividend attributable to the previous financial year, approved and paid during the six months**

	For the six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the six months, of Nil (six months ended 30 June 2002: RMB0.02 per share)	<u>—</u>	<u>13,520</u>

8. (Loss) earnings per share

The calculation of basic (loss) earnings per share is based on the (loss) profit attributable to shareholders for the six months and three months ended 30 June 2003 of respectively approximately RMB(1,393,000) and RMB(2,370,000) (six months and three months ended 30 June 2002: approximately RMB5,469,000 and RMB6,187,000 respectively) and on the weighted average of outstanding 676,000,000 shares for the six months and three months ended 30 June 2003 (during the six months and three months ended 30 June 2002: 676,000,000 shares).

No diluted (loss) earnings per share for the six months and three months ended 30 June 2002 and 2003 have been presented because there were no dilutive potential ordinary shares in existence during the periods.

9. Intangible assets

	Software copyright <i>RMB'000</i>	Patent <i>RMB'000</i>	Proprietary technology <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended				
30 June 2003				
Opening net book amount	52,370	2,025	—	54,395
Amortization charge <i>(Note 4)</i>	(5,836)	(675)	—	(6,511)
Closing net book amount	<u>46,534</u>	<u>1,350</u>	<u>—</u>	<u>47,884</u>
As at 30 June 2003				
Cost	88,357	8,778	7,110	104,245
Accumulated amortization	(41,823)	(7,428)	(7,110)	(56,361)
Net book amount	<u>46,534</u>	<u>1,350</u>	<u>—</u>	<u>47,884</u>
As at 31 December 2002				
Cost	88,357	8,778	7,110	104,245
Accumulated amortization	(35,987)	(6,753)	(7,110)	(49,850)
Net book amount	<u>52,370</u>	<u>2,025</u>	<u>—</u>	<u>54,395</u>

10. Fixed assets

	Buildings	Land	Other	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost or valuation				
As at 1 January 2003	46,713	41,010	3,396	91,119
Additions	—	—	170	170
Disposal	—	—	(7)	(7)
	<u>46,713</u>	<u>41,010</u>	<u>3,559</u>	<u>91,282</u>
As at 30 June 2003	46,713	41,010	3,559	91,282
Including:				
At cost	1,634	—	3,559	5,193
At valuation	45,079	41,010	—	86,089
	<u>46,713</u>	<u>41,010</u>	<u>3,559</u>	<u>91,282</u>
Accumulated depreciation				
As at 1 January 2003	3,255	1,892	1,991	7,138
Charge for the period (Note 4)	565	421	355	1,341
Disposal	—	—	(1)	(1)
	<u>3,820</u>	<u>2,313</u>	<u>2,345</u>	<u>8,478</u>
As at 30 June 2003	3,820	2,313	2,345	8,478
Net book value				
As at 30 June 2003	<u>42,893</u>	<u>38,697</u>	<u>1,214</u>	<u>82,804</u>
As at 31 December 2002	<u>43,458</u>	<u>39,118</u>	<u>1,405</u>	<u>83,981</u>

11. Inventories

	As at	As at
	30 June	31 December
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Work-in-progress on contracts	7,964	5,644
Merchandise goods for sales	7,373	6,770
	<u>15,337</u>	<u>12,414</u>
Less: provision for obsolescence	(2,472)	(2,921)
	<u>12,865</u>	<u>9,493</u>

As at 30 June 2003, the carrying amount of inventories, that are carried at net realizable value amounted to approximately RMB2,210,000 (as at 31 December 2002: approximately RMB2,341,000).

12. Trade and other receivables, net

	As at 30 June 2003	As at 31 December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, net (<i>Note a</i>)	16,608	51,261
Prepayments	7,748	4,673
Other receivables, net (<i>Note b</i>)	88,732	8,861
	<hr/>	<hr/>
	113,088	64,795
	<hr/> <hr/>	<hr/> <hr/>

The normal credit period for trade receivables granted by the Group is on average 120 days from the date of invoice.

Notes:

(a) As at 30 June 2003, the ageing analysis of trade receivables was as follows:

	As at 30 June 2003	As at 31 December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Not exceeding one year	15,165	48,927
More than one year but not exceeding two years	5,382	9,595
More than two years but not exceeding three years	7,014	4,450
More than three years	11,586	10,106
	<hr/>	<hr/>
	39,147	73,078
Less: provision for doubtful debts	(22,539)	(21,817)
	<hr/>	<hr/>
	16,608	51,261
	<hr/> <hr/>	<hr/> <hr/>

(b) As at 30 June 2003, the breakdown of other receivables was as follows:

	As at 30 June 2003	As at 31 December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	93,822	15,556
Less: provision for doubtful debts	(5,090)	(6,695)
	<u>88,732</u>	<u>8,861</u>

13. Trade payables

As at 30 June 2003, all the trade payables were within one year (as at 31 December 2002: all within one year).

14. Share capital

Number of shares		Amount	
As at 30 June 2003	As at 31 December 2002	As at 30 June 2003	As at 31 December 2002
<i>'000</i>	<i>'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Registered, issued and fully paid:

Legal person shares

with par value of

RMB0.1 each

351,000	351,000	35,100	35,100
---------	---------	--------	--------

Individual shares with par

value of RMB0.1 each

156,000	156,000	15,600	15,600
---------	---------	--------	--------

H shares with par value

of RMB0.1 each

169,000	169,000	16,900	16,900
---------	---------	--------	--------

<u>676,000</u>	<u>676,000</u>	<u>67,600</u>	<u>67,600</u>
----------------	----------------	---------------	---------------

15. Related party transactions

- (a) Information on related parties and their relationships with the Group are as follows:

Name of related party	Relationship
Sichuan Top Sci-Tech Development Company ("Top Development")	Ultimate holding company
Sichuan Topsoft Investment Company Limited ("Topsoft Investment")	Majority shareholder of the Company
Sichuan Top Computer Company Limited ("Top Computer")	Shareholder of the Company
Top Group Technology Development Company Limited ("Top Group")	Subsidiary of Top Development
Sichuan Finance Lease Company Limited ("Sichuan Finance")	Subsidiary of Top Development
Chengdu Top Chang Zheng Network Company Limited ("Top Chang Zheng")	Previous subsidiary of Topsoft Investment before March 2002 (Topsoft Investment disposed of its shares in Top Chang Zheng to third party in March 2002)
Sichuan Top Communication Company Limited ("Top Communication")	Subsidiary of Topsoft Investment
Yunnan Top Software Company Limited ("Yunnan Top")	Subsidiary of Topsoft Investment
Xian Top Software Company Limited ("Xian Top")	Subsidiary of Topsoft Investment

- (b) During the period, the Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
(i) Sales of goods to related parties:		
Xian Top	60	149
Yunnan Top	—	742
Top Chang Zheng	—	10
	<u>60</u>	<u>901</u>

**For the six months
ended 30 June**

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
(ii) Purchases of contract materials from related parties:		
Top Group	2,040	—
Topsoft Investment	200	133
Top Communication	—	19
Top Computer	—	3
	2,240	155
	2,240	155
(iii) Rental income from a related party:		
Top Group	550	750
Top Computer	99	—
	649	750
	649	750

Pursuant to a property leasing agreement entered into between the Company and Top Group on 8 March 2001, the Company agreed to lease three buildings, namely Xiruan No 1, 2 and 15, with a total gross floor area of approximately 10,531.18 square meter located at Top Road, Hong Guang Zhen, Chengdu City, Sichuan Province, the PRC to Top Group from 1 January 2001 to 31 December 2003.

(iv) Composite services fee payable to related parties:

Top Group	586	250
Top Development	—	1
	586	251
	586	251

On 8 March 2001, the Company entered into a composite services agreement with Top Group whereby Top Group will provide the following services to the Company:

- Printing services
- Supply of water and electricity
- Telecommunication services
- Vehicle leasing services

The composite services agreement will expire on 31 December 2003 and the services shall be provided at:

- (1) Nation-wide government prescribed prices;
- (2) Where there is no nation-wide government prescribed price, the prescribed price for Sichuan Province or Chengdu City will apply;
- (3) Where there is no nation-wide government prescribed price nor a prescribed price for Sichuan Province or Chengdu City, the price to be agreed between the relevant parties for the provision of the above services, which, in any event, shall not exceed reasonable cost plus 20% margin.

**For the six months
ended 30 June**

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>

- (v) Rental expense payable to a related party:

Top Group	<u>173</u>	<u>200</u>
-----------	------------	------------

On 1 May 2000, the Company entered into a property leasing agreement with Top Group. Based on the agreement, Top Group agreed to let a property to the Company for a term of four years commencing from 1 May 2000. The rental per year is RMB400,000.

- (vi) Cash deposits in a related party:

During the period from 6 September 2001 to 27 March 2002 (the "Period"), the Company had placed with Sichuan Finance savings deposit and fixed deposit. Total maximum balance of savings and fixed deposits reached RMB68,654,439. The annual interest rates of such deposits respectively were 0.99% (decreased to 0.72% with effect from 21 February 2002) and 5.85%. During the Period, the interest income earned therefrom was RMB839,428. Throughout the six months ended 30 June 2003, the Group has not placed any deposit with Sichuan Finance.

- (c) The amounts due from and due to related parties were unsecured, non-interest bearing and with no fixed repayment date and primarily arisen from the above transactions.
- (d) In the opinion of the Directors, the above related party transactions were entered into under normal commercial terms in the ordinary course of the Group's business and in accordance with the terms of the agreements governing the transactions.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the business objectives as stated in the prospectus of the Company dated 26 March 2001 (the "Prospectus") with the actual business for the six months ended 30 June 2003.

Major area	Major business objectives	Actual business progress
IT Solution Development		
Government administration framework software basing on multi-layer system	Integration of government administration framework software and application in taxation, housing reforms, telecommunication and new industries	The integration of government administration framework software and application in taxation, housing reforms and telecommunication were implemented. As the State is formulating the standard of electronic government administration, the application of the government administration framework software basing on multi-layer system onto the new industries was slightly postponed. The decision will be made after the State announces the standard.

Major area	Major business objectives	Actual business progress
Biometric finger print identifying system	Compiling of documentary files on and trial production of information dissemination security system	As the customer demand on the biometric finger print identifying system does not meet the Company's expectation, the Company has suspended the production and testing of biometric finger print identifying system's products. Such development will be re-considered when the customer demand is up to a level indicating that such products are able to reach break-even point.
Embedded operating system	Small scale trial production of embedded electronic display system, compiling of documentary files on production technology	Small scale trial production of embedded electronic display system, compiling of documentary files on production technology were basically completed. The Company continues to keep a close eye on the market trend so as to ensure its products adhering to the market demand.

Major area	Major business objectives	Actual business progress
IT Solution Reproduction		
Government administration framework software basing on multi-layer system	Overall government administration framework software for application in taxation, housing reforms and telecommunication	The government administration framework software has been applied in taxation, housing reforms and telecommunication in accordance with market demand.
Biometric finger print identifying system	Overall production of finger print documentary security management system, finger print browser program, security reader program, trial production of secured e-mail and fax software system basing on finger print identification, remote display secured release software basing on finger print identification	As the market demand on the biometric finger print identifying system below the expectation, the Company has suspended the reproduction of biometric finger print identifying system's products. Such development will be re-considered when the customer demand is up to a level indicating that such products are able to reach break-even point.
Embedded electronic display system	Trial production of embedded electronic display system	Trial production of embedded electronic display system was basically completed. The Company continues to keep a close eye on the market trend so as to ensure its products adhering to the market demand.

Major area	Major business objectives	Actual business progress
Marketing		
Marketing activities	<p>Development of market sales, technological services support network in Northeast region as priority, set up sales offices or representative offices in Shenyang and Harbin</p>	<p>As the business development in Northeast region is slower than expected, the set up of sales offices or representative offices in Shenyang and Harbin are deferred in order to reduce cost. The Company established a subsidiary in Xian, namely Shaanxi Top Sci-Tech Company Limited. The sales network and technological services support network in the Northwest region were accordingly developed with its centre in Xian.</p>
	<p>Set up information technological centre in USA; and complete construction of basic facilities for the technology and information centre in the USA (including office space, site construction development, software and hardware development environment construction, office equipment and operation expenses in the initial stage)</p>	<p>Due to the PRC's foreign exchange policy and the requirement for obtaining the relevant approvals, the establishment of information technological centre in USA is still pending.</p>

Major area	Major business objectives	Actual business progress
	Recruitment of senior technical and management staffs and development staffs; and in depth training for technical, production and promotion staffs	The Group provided in-depth training for technical, production and promotion staffs. However, as the atmosphere of the IT market was not as good as expected, the Group has not increased its staffs in accordance with the business objective for the purpose of cost control.
	Promote brand image of TOP and the products through Hong Kong media; and exhibition in the Guangzhou Spring Commodity Fair	The Company participated in the Guangzhou Spring Commodity Fair. Nevertheless, the proposed promotion of the brand image of TOP and its products through Hong Kong media aims at internationalising the TOP brand name in line with the establishment of the information technological centre in USA. As the project is still pending for approvals in respect of the establishment of such centre, the promotion activities on TOP brand image and products through Hong Kong media are therefore deferred.

USE OF PROCEEDS FROM THE ISSUE OF H SHARES

The amount of net proceeds from the issue of H Shares of the Company was approximately HK\$106 million. Up to 30 June 2003, such fund was applied as follows:

- Approximately HK\$36,500,000 (estimated amount as stated in the Prospectus: approximately HK\$48,500,000) were used in IT solution development, R&D of new technologies and products, small scale of product testing and test production. The under utilisation is attributed to the Group's deferral of setting up technology and information centre in the USA and the suspension of the production and testing of biometric fingerprint identifying system's products;
- Approximately HK\$1,100,000 (estimated amount as stated in the Prospectus: approximately HK\$4,000,000) were used in the establishment of IT solution reproduction. The under utilisation is attributed to the suspension of the reproduction development of biometric fingerprint identifying system's products;
- Approximately HK\$14,000,000 (estimated amount as stated in the Prospectus: approximately HK\$34,000,000) were used to promote the Company's new products through marketing activities (advertisement, exhibitions and other marketing and promotional activities). The under utilisation is attributed to the Group's decision to defer the promotion of brand image of TOP and the products through Hong Kong media; and
- Approximately HK\$3,000,000 (estimated amount as stated in the Prospectus: approximately HK\$4,300,000) were used to establish branch and representative office to promote the Company's products. The under utilisation is attributed to the Group's policy adjustment to defer the setting up of sales offices and representative offices in certain regions in view of the Group's business development in such region being slower than expected as a result of the slowdown economic development in such regions.

As set out in the Prospectus, the Company originally intended to apply approximately HK\$7,000,000 raised from the proceeds from the issue of H Shares to establish technology and information centres. However, due to the PRC's foreign exchange policy and the requirement for obtaining the relevant approvals, the project is still pending and no fund has been applied in relation thereto up to 30 June 2003.

Up to 30 June 2003, the Company has used approximately HK\$54,600,000, being 51.5% of the net proceeds from the issue of H Shares. The remaining approximately HK\$51,400,000 are deposited at the banks in the PRC in terms of Hong Kong dollars or Renminbi and will be used to implement the Company's remaining business objectives.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2003, the Group recorded turnover of approximately RMB13,346,000 and loss attributable to shareholders of approximately RMB1,393,000. This represented a drop of 72.6% in term of turnover as compared with the same period last year. The decrease was mainly due to the keen competition of the IT market in the mainland, causing a decline in the total value of the orders received, and the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in the second quarter. The SARS turned the commercial activities sluggish and restricted the marketing activities and contact with customers, resulting in the deferral of completion of several projects on progress. As a result, the turnover in the second quarter fell sharply. Starting from this year, the Group has solidly adjusted its products structure and reinforced the sales of competitive and advantaged products. Hence, there was a large portion of the completed projects constituted by relatively high profit margin products. The gross profit margin, stated before the fixed amortization of intangible assets, was improved. Nevertheless, the substantial drop in turnover not only caused the gross profit for the second quarter in a loss but also diluted the overall gross profit. Both interest income and finance costs were dropped as the Group repaid the unsecured bank loan of RMB30,000,000 in August 2002. Besides, the loss in the second quarter was also due to no income from investment securities and substantial drop in subsidy income. The subsidy income dropped since the Group received no financial refund and the sales of certain approved software products, which the Group is entitled to have tax refund, were reduced. Despite the interim results was recorded a loss, the Group's overall costs were effectively controlled and contracted with the adoption to implement cost measures strictly. Moreover, the financial position of the Group continues to be strong by having a total bank balances and cash of approximately RMB90,548,000 with no borrowings. With the event of the SARS passed away and the commercial activities resumed normal, all deferred projects on progress were re-commenced and the business of the Group has also been going up.

Product and Market

During the six months ended 30 June 2003, the Company invested RMB4,800,000 to establish a subsidiary in Xian, namely Shaanxi Top Sci-Tech Company Limited. The market sales, technological services support network in the Northwest region was accordingly developed with its centre in Xian. The Group is actively conducting marketing activities. Set up of new sales offices in the mainland and expansion of its sales and service centres for the purpose of promoting the Group's products and providing value added services are continued so as to enlarge the level of connection with and bases of customers and also maintain a close relationship with customers. The Group also provides domestic and international training for its staff in order to strengthen technical, production and promotion skills of its staff. Moreover, the Group participated in market promotion of the products and country-wide exhibitions. Not only can this help the Group to widen its sales channel, but also facilitate to promote the Group's image.

The Group still has the intention to establish the overseas research centre, however, it is still pending for approval due to the State's foreign exchange policy and the requirement of relevant approvals.

Major products of the Group include "TS'98 Tax Management Information System", "TPHMIS Housing Reform Management Information System", "LED Display Control System", "Government Administration System", "Biometric Finger Print Identifying System" and "Embedded Operating System". The main application of "Embedded Operating System" is used in "LED Display Control System" and other products. We believe that the continuous improvement in and innovation of application software products and services for the purpose of meeting the market demand help the Group to develop new sales channels and market.

Research and Development

The Group continuously focused on the development of component software modules. In order to keep abreast of the trend of market development, the Group has established special teams for the development of different areas such as "Multi-layer System Integral Framework Structure for Government Administration", "Information Security Technology" and "Embedded Operating System". The Group's research and development teams will focus on the component software modules in order to meet customers' need and expectation.

Human Resources

As at 30 June 2003, the Group employed 115 staff. For the six months ended 30 June 2003, the total amount of salary paid by the Group to its staff was approximately RMB1,968,000 (six months ended 30 June 2002: approximately RMB3,580,000).

In respect of the human resources, the Group adopted a flexible but conservative policy. During the course of implementing the business objectives, the Group would first re-allocate its staff in other departments to cover the shortage of staff in a specific department. The Company would only employ new staff when re-allocation became impossible, thus enhancing the efficiency and minimising the cost.

Financial Analysis

The Group has adopted a proactive and stable financial policy with a stringent control of investment risk in order to optimise the investment return to the Company's shareholders.

Capital Structure

The following table sets out the share capital of the Company as at 30 June 2003 and 31 December 2002:

	As at 30 June 2003		As at 31 December 2002	
	Total Percentage		Total Percentage	
	<i>RMB'000</i>		<i>RMB'000</i>	
Shareholders' equity	312,294	96.9%	313,687	96.8%
Minority interests	9,997	3.1%	10,385	3.2%
Total	<u>322,291</u>	<u>100.0%</u>	<u>324,072</u>	<u>100.0%</u>

Ability to Debt Repayment and Debt Ratio

As at 30 June 2003, the Group did not have any borrowings.

The debt ratio (defined as total liabilities excluding minority interests over total assets) of the Group as at 30 June 2003 was 10.8%.

Liquid Capital and Financial Resources

As at 30 June 2003, the Group had net current assets of approximately RMB218,746,000, including bank balances and cash of approximately RMB90,548,000. The financial position of the Group remains sound and healthy.

The Directors believe that the Group has sufficient financial resources to repay the debts and to meet the needs of undertakings and operating capital.

Capital Expenditure Commitment

As at 30 June 2003, the Group did not have any significant commitment on capital expenditure.

Charged Assets

As at 30 June 2003, the Group did not have any of its assets charged.

Significant Investments

During the six months ended 30 June 2003, the Company invested RMB4,800,000 to establish a subsidiary namely Shaanxi Top Sci-Tech Company Limited, and owns 96% interest in the subsidiary. Such subsidiary resulted a loss of approximately RMB28,000 for the Group during that period. In view of its newly commenced business, the subsidiary is expected to bring about profit in future.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2003, the Company did not have any material acquisition or dispose of subsidiaries and affiliated companies.

Future Plans for Material Investment/Capital Assets

As at 30 June 2003, the Group had no future plans for material investments or capital assets other than those stated in the section headed "Statement of Business Objectives" in the Company's prospectus dated 26 March 2001.

Foreign Exchange Risk

A substantial part of the Group's bank deposits, which was in Hong Kong dollars, came from the funds raised through the listing on the Stock Exchange. Such funds were entered into the Company's accounts at the exchange rate of HK\$1.00 to RMB1.0623 on 30 June 2003. Such funds may be required to exchange to RMB or other currencies for implementation of the Group's business objectives, and as a result, the risks of foreign exchange may arise and the Group may gain profit or suffer loss thereby.

Contingent Liabilities

As at 30 June 2003, the Company did not have any material contingent liabilities.

Segmental Information

The Group conducts its business within one business segment of providing IT solutions system. Besides, the Group's turnover, assets and liabilities were derived from the PRC, hence, no business nor geographical analysis on segmental information were presented.

Prospects

The PRC's economy is expected to grow continuously in 2003. It would bring about a continuous and stable demand for development of electronic communication by the government-related entities.

As at 30 June 2003, the Group had incomplete contracts with aggregate amount of approximately RMB15 million. With the event of the SARS passed away and the commercial activities resumed normal, all deferred projects on progress were re-commenced and the business of the Group has also been going up. The Directors are of the confidence that the results of the second half year 2003 will be better than that of the first half year 2003.

The Directors believe that with the continual growth of the PRC economy and the PRC's accession to the World Trade Organisation, the PRC government-related entities will expedite to improve the quality of work and economic efficiency, and increase the demand for electronic information systems. As an experienced and one of the major information technology solutions providers to government-related entities in the PRC, these would provide a promising prospect for the Group.

The Group will make every effort to seize each opportunity to further enhance its technological level and services. At the same time, the Group will continue to explore investment opportunities in other technological areas so as to achieve the aim of optimising the shareholders' interests.

DISCLOSURE OF THE DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests and short positions of the Directors, Supervisors, chief executives and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules were as follows:

Long positions in shares

(a) The Company

Name of Directors	Number of ordinary shares of RMB0.10 each in the Company				Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
Mr. Li Zheng Bin	1,000,000 ⁽¹⁾	Nil	39,000,000 ^{(1),(2)}	40,000,000	5.92%
Mr. Huang Wei Bin	156,000 ⁽¹⁾	Nil	Nil	156,000	0.02%
Mr. Chen Zhong Hao	468,000 ⁽¹⁾	Nil	Nil	468,000	0.07%
Name of Supervisors					
Mr. Chen Bao Yu	28,000 ⁽¹⁾	Nil	Nil	28,000	0.00%
Mr. Wang Hua	22,000 ⁽¹⁾	Nil	Nil	22,000	0.00%
Mr. Hu Yun Xu	208,000 ⁽¹⁾	Nil	Nil	208,000	0.03%

Notes:

1. These shares are domestic shares of the Company.
2. These shares are held by Sichuan Top Sci-Tech Development Company ("Top Development"). Mr. Li Zheng Bin holds 1.58% interest in Top Development.

(b) *Associated Corporations*

Equity interests in Chengdu Top Huaxi Information System Co., Ltd. ("Huaxi Information")⁽¹⁾

Name of Directors	Personal interests	Family interests	Corporate interests	Percentage of equity interest in the registered share capital	
				Total	share capital
Mr. Wang Zu Long	RMB200,000	—	—	RMB200,000	2.00%

Notes:

1. As at 30 June 2003, the registered capital of Huaxi Information was RMB10,000,000, where the Company held 95% equity interest thereof.

Equity interest in Chengdu Top Huaxi Electronics Technology Co., Ltd. ("Huaxi Electronics")⁽¹⁾

Name of Directors	Personal interests	Family interests	Corporate interests	Percentage of equity interest in the registered share capital	
				Total	share capital
Mr. Wang Zu Long	RMB200,000	—	—	RMB200,000	2.00%

Notes:

1. As at 30 June 2003, the registered share capital of Huaxi Electronics was RMB10,000,000 where the Company held 95% equity interest thereof.

Long positions in underlying shares and debentures

None of Directors, Supervisors, chief executives and their respective associates had any long positions in the underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

Short positions in shares, underlying shares and debentures

None of Directors, Supervisors, chief executives and their respective associates had any short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listings Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO PURCHASE SECURITIES

During the six months ended 30 June 2003, none of the Directors, Supervisors or chief executives was granted options to subscribe for any types of securities of the Company. As at 30 June 2003, none of the Directors, Supervisors or chief executives or any of their spouses or children under 18 years of age held any options to subscribe any types of the Company's securities.

SHARE OPTION SCHEME

Up to 30 June 2003, the Company has not granted any option pursuant to its share option scheme adopted on 25 October 2000 ("Share Option Scheme"). Details of the Share Option Scheme are as follows:

(a) *Purpose*

the purpose of the Share Option Scheme is to grant share options to selected participants as incentives or rewards for their contribution to the Group.

(b) *Who may join*

The Board may, at its discretion, invite any full-time employees including any executive director of the Company or its subsidiaries, if any, to take up options to subscribe for H Shares at a price calculated in accordance with sub-paragraph (d) below, except that employees who are PRC nationals and have taken up any options to subscribe for H Shares shall not be entitled to exercise the options until (i) the current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H Shares or any laws or regulations with similar effects ("H Shares Restrictions") have been abolished or removed; and (ii) the CSRC or other relevant government authorities in the PRC have approved the new issue of share upon the exercise of any options which may be granted under the Share Option Scheme.

(c) *Payment on acceptance of option offer*

RMB1.00 is payable by the employee to the Company on acceptance of the option offer.

(d) *Price of Shares*

The subscription price for H Shares under the Share Option Scheme will be determined by the Board and notified to each grantee and will be no less than the higher of (i) the closing price of the H Shares as stated in the Stock Exchange daily quotations sheet on the date of offer, which must be a business day, (ii) the average closing prices of the H Shares as stated in the Stock Exchange daily quotations sheets for the five business days immediately preceding the date of offer and (ii) the nominal value of a H Shares.

(e) *Maximum number of H Shares*

The total number of H Shares subject to the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% (or such higher percentage as may be allowed under the GEM Listing Rules) of H Shares of the Company in issue from time to time (excluding (i) H Shares issued upon the exercise of options granted pursuant to the Share Option Scheme and any other schemes; and (ii) any pro rata entitlements to further Shares issued in respect of those H Shares mentioned in (i)) during the period of 10 consecutive years commencing on 25 October 2000.

No employee shall be granted an option which, if exercised in full, would result in such person maximum entitlement exceeding 25% of the aggregate number of H Shares for the time being issued or issuable under the Share Option Scheme.

(f) *Time of exercise of option*

No employees who are PRC nationals and have taken up any options to subscribe for H Shares shall be entitled to exercise any such options until (i) the H Shares Restrictions have been abolished or removed and; (ii) approvals have been obtained from the CSRC or other relevant government authorities in the PRC for the exercise of any option which may be granted under the Share Option Scheme. Subject to the above, an option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall be not less than three years and not more than 10 years from the date of grant of the option.

(g) *Period of Share Option Scheme*

As the Share Option Scheme will remain valid for a period of 10 years commencing on 25 October 2000, its remaining life is approximately 7 years and 2 months (save that the Company, by ordinary resolution in general meeting or Board may at any time terminate the operation of the Share Option Scheme). After termination, no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following persons (other than the Directors, Supervisors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register to be kept under section 336 of the SFO.

Long positions in shares

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 Topsoft Investment Company Limited (“Topsoft Investment”)	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 Topsoft Investment, which owns 40.38% of the Company. Topsoft Investment owns 82% of Sichuan Top Computer Company Limited (“Top Computer”), 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. Topsoft Investment owns 82% of Top Computer, which owns 1.92% of the Company. Topsoft Investment'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 2 above.

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register to be kept under section 336 of the SFO.

Short positions in shares and underlying shares

No short positions of other persons and substantial shareholders in the shares and underlying shares of equity derivatives of the Company were recorded in the register to be kept under section 336 of the SFO.

RESIGNATION OF DIRECTORS

Mr. Li Yan resigned as executive Director of the Company on 13 May 2003 due to his personal accord. In addition, Mr. Yang Shu Cheng resigned as non-executive Director of the Company on 16 June 2003 due to his personal accord. The Board would like to take this opportunity to express its appreciation for their contribution towards the Company during their terms of service.

APPOINTMENT OF DIRECTORS

Mr. Wang Zu Long be appointed as executive Director of the Company and Professor Wang Ming Dong and Ms. Xiao Bin be appointed as independent non-executive Directors of the Company, all with effect from 1 June 2003.

Mr. Wang Zu Long, aged 31. Mr. Wang is a vice president of the Company. He graduated with a diploma of corporate finance from Chengdu Radio and Television University. Mr. Wang joined the Company on 17 February 2000 and was assistant vice president of the Company. He possessed experiences in commercial software development and sales.

Professor Wang Ming Dong, aged 64. Mr. Wang is a professor and a Ph.D mentor of Chengdu Electronic Technology University. He graduated with a bachelor degree in automation from Chengdu Electronic Technology University (formerly known as Chengdu Telecommunication Engineering School). Mr. Wang was vice programme leader of electronic engineering, programme leader of wireless electricity, vice principal and operating vice principal of Chengdu Electronic Technology University, and vice president of Sichuan Electronic Academy Committee.

Ms. Xiao Bin, aged 35. Ms. Xiao is the general manager of International Business Department of Sichuan branch of China Agricultural Bank. She graduated from economic of Southwest University of Finance and Economics and obtained a bachelor degree and subsequently, a master degree in economic. Ms. Xiao joined International Business Department of Sichuan branch of China Agricultural Bank in April 1993 and was manager of International Clearing Department, assistant to general manager, manager of Customer Relation Department and vice general manager of International Business Department.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2003, the Company or its subsidiaries did not purchase, sell or redeem any of the Company's securities.

COMPETING INTERESTS

None of the Directors, management shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in any business which competes or may compete with the Group.

SPONSOR'S INTEREST

As at 30 June 2003, neither Core Pacific-Yamaichi Capital Limited (the "Sponsor") nor its directors or employees or respective associates had any interests in the securities of the Company or any member of the Group, or rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

According to the sponsor's agreement entered into between the Company and the Sponsor on 23 March 2001, the Sponsor has received and will receive sponsorship fee as being the retained sponsor of the Company for the period from 30 March 2001 to 31 December 2003.

AUDIT COMMITTEE

The Company established an audit committee on 8 March 2001 with written terms of reference in compliance with Rule 5.23 to Rule 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 Group.

The audit committee comprises five members, including four independent non-executive Directors, namely Professor Yang Ji Ke, Mr. Li Ming Shu, Professor Wang Ming Dong and Ms. Xiao Bin, and one executive Director, Mr. Fan Jing Ru.

The audit committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2003 and was of the view that the compilation of the accounts has complied with all applicable accounting standard and relevant regulations and laws, and made sufficient disclosure.

BOARD PRACTICES AND PROCEDURES

Since its listing on the GEM, the Company has complied with the board practices and procedures as stipulated by Rule 5.28 to Rule 5.39 of the GEM Listing Rules.

By order of the Board
Li Zheng Bin
Chairman

Chengdu, the PRC, 13 August 2003