



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 2003

** For identification purposes only*

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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.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Chengdu Top Sci-Tech Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months and three months ended 30 September 2003 and the comparatives for the corresponding period in 2002 as follows:

	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2003 (unaudited) RMB'000	2002 (unaudited) RMB'000	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
Turnover	3	17,643	80,481	4,297	31,685
Cost of sales		(9,460)	(58,772)	(2,936)	(26,970)
Amortization of intangible assets		(9,766)	(10,833)	(3,255)	(3,611)
Gross profit (loss)		(1,583)	10,876	(1,894)	1,104
Other revenue	3	3,959	3,672	2,899	1,030
Distribution costs		(2,585)	(4,831)	(957)	(1,832)
Administrative expenses		(4,968)	(5,875)	(3,349)	(1,551)
Other operating expenses		(268)	(241)	(122)	(88)
(Loss) profit from operations		(5,445)	3,601	(3,423)	(1,337)
Finance costs		(6)	(1,438)	(3)	(361)
Income from investment securities		—	705	—	—
Subsidy income	4	655	3,387	91	—
(Loss) profit before taxation		(4,796)	6,255	(3,335)	(1,698)
Taxation	2(a), 5(a)	(243)	(1,557)	277	593
(Loss) profit after taxation		(5,039)	4,698	(3,058)	(1,105)
Minority interests		755	(885)	167	(551)
(Loss) profit attributable to shareholders		(4,284)	3,813	(2,891)	(1,656)
Dividends	6	—	—	—	—
Basic (loss) earnings per share	7	RMB(0.0063)	RMB0.0056	RMB(0.0042)	RMB(0.0025)

MOVEMENT IN RESERVES

The Group's movement in reserves are as follows:

	Capital surplus (unaudited) RMB'000	Revaluation surplus (unaudited) RMB'000	Statutory surplus reserve (unaudited) RMB'000	Statutory public welfare fund (unaudited) RMB'000	Discretionary surplus reserve (unaudited) RMB'000	Retained earnings (unaudited) RMB'000	Total (unaudited) RMB'000
As at 1 January 2002							
- As previously reported	96,407	39,485	17,136	9,743	10,220	86,198	259,189
- Prior period adjustments for deferred taxation (Note 2(a))	—	(5,923)	—	—	—	2,623	(3,300)
- As restated	96,407	33,562	17,136	9,743	10,220	88,821	255,889
Profit attributable to shareholders	—	—	—	—	—	3,813	3,813
Transfer to reserves	—	—	1,058	529	—	(1,587)	—
Dividends (Note 6(b))	—	—	—	—	—	(13,520)	(13,520)
As at 30 September 2002	<u>96,407</u>	<u>33,562</u>	<u>18,194</u>	<u>10,272</u>	<u>10,220</u>	<u>77,527</u>	<u>246,182</u>
As at 1 January 2003							
- As previously reported	96,407	39,485	19,144	10,747	10,220	72,832	248,835
- Prior period adjustments for deferred taxation (Note 2(a))	—	(5,923)	—	—	—	3,175	(2,748)
- As restated	96,407	33,562	19,144	10,747	10,220	76,007	246,087
Disposal of a subsidiary	—	—	(119)	(59)	—	—	(178)
Loss attributable to shareholders	—	—	—	—	—	(4,284)	(4,284)
As at 30 September 2003	<u>96,407</u>	<u>33,562</u>	<u>19,025</u>	<u>10,688</u>	<u>10,220</u>	<u>71,723</u>	<u>241,625</u>

Notes:

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 consolidated results have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") 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 nine months ended 30 September 2002 and six months ended 30 June 2002 have been approximately increased by

RMB414,000 and RMB276,000 respectively, and the loss for the nine months ended 30 September 2003 and six months ended 30 June 2003 have been approximately dropped by RMB414,000 and RMB276,000 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 nine months ended 30 September		For the three months ended 30 September	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of software and information system	16,904	31,811	4,303	2,937
Sales of information technology related products	739	48,670	(6)	28,748
	<u>17,643</u>	<u>80,481</u>	<u>4,297</u>	<u>31,685</u>
Other revenue				
Rental income	1,335	1,171	616	421
Interest income	356	1,670	30	369
Gain on disposal of a subsidiary	2,176	—	2,176	—
Gain on disposals of fixed assets	6	—	6	—
Other	86	831	71	240
	<u>3,959</u>	<u>3,672</u>	<u>2,899</u>	<u>1,030</u>
Total revenues	<u><u>21,602</u></u>	<u><u>84,153</u></u>	<u><u>7,196</u></u>	<u><u>32,715</u></u>

4. Subsidy income

	For the nine months ended 30 September		For the three months ended 30 September	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Financial refund (a)	—	2,172	—	—
Tax refund (b)	655	1,215	91	—
	<u>655</u>	<u>3,387</u>	<u>91</u>	<u>—</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.

5. 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 (written back) to the consolidated results represents:

	For the nine months ended 30 September		For the three months ended 30 September	
	2003	2002	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation				
— Increase (decrease) in provision for current tax	93	2,254	(139)	(396)
— Adjustment recognised in the period for current tax of prior periods	564	—	—	—
Deferred taxation relating to the origination and reversal of temporary differences (<i>Note 2(a)</i>)	(414)	(697)	(138)	(197)
Total	<u>243</u>	<u>1,557</u>	<u>(277)</u>	<u>(593)</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 nine months ended 30 September		For the three months ended 30 September	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
(Loss) profit before taxation	<u>(4,796)</u>	<u>6,255</u>	<u>(3,335)</u>	<u>(1,698)</u>
Calculated at a taxation rate of 15% (2002: 15%)	(719)	938	(500)	(255)
Effect of different taxation rates in subsidiaries	(616)	500	(148)	303
Income not subject to taxation	(98)	(288)	(13)	—
Expenses not deductible for taxation purposes	397	1,104	251	(444)
Tax losses not recognised	1,129	—	271	—
Adjustment recognised in the period for current tax of prior periods	564	—	—	—
Utilisation of temporary difference arising from revaluation surplus of fixed assets (<i>Note 2(a)</i>)	(96)	(96)	(32)	(32)
Recognition of temporary difference arising from decelerated amortization allowance of intangible assets (<i>Note 2(a)</i>)	(318)	(318)	(106)	(106)
Recognition of temporary difference arising from unused tax losses	<u>—</u>	<u>(283)</u>	<u>—</u>	<u>(59)</u>
Taxation charge (write-back)	<u>243</u>	<u>1,557</u>	<u>(277)</u>	<u>(593)</u>

(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.

6. Dividends

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

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

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

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

7. (Loss) earnings per share

The calculation of basic (loss) earnings per share is based on the (loss) profit attributable to shareholders for the nine months and three months ended 30 September 2003 of respectively approximately RMB(4,284,000) and RMB(2,891,000) (nine months and three months ended 30 September 2002: approximately RMB3,813,000 and RMB(1,656,000) respectively) and on the weighted average of outstanding 676,000,000 shares for the nine months and three months ended 30 September 2003 (during the nine months and three months ended 30 September 2002: 676,000,000 shares).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2003, the Group recorded turnover of approximately RMB17,643,000 and loss attributable to shareholders of approximately RMB4,284,000. This represented a drop of 78.1% 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 overall turnover fell. 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, under limited resources, the reinforcement of the sales of competitive and advantaged products resulted in slowing down the market promotion for other products and services, which was a factor causing the significant decline in turnover of the third quarter. The substantial drop in turnover caused both the gross profit for the third quarter and the overall gross profit in a loss.

At 30 September 2003, the Group disposed of its subsidiary, Shanghai Top Sci-Tech Company Limited, at a consideration of RMB22,100,000. The disposal of the subsidiary was made mainly in line with the adjustments on marketing strategies. The administrative expenses for the third quarter was increased by

approximately RMB1,798,000 as compared with the same period last year. The main reason was that the provision for doubtful debts was charged by approximately RMB1,302,000 for the period, which was credited by approximately RMB247,000 for the same period last year. 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 third 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 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 RMB135,652,000 with no borrowings.

In the third quarter, the event of the SARS passed away and the commercial activities resumed normal. All deferred projects on progress were recommenced. Furthermore, the Group has been inputting resources to increase the market promotion for all kinds of products and services in order to push up the business of the Group.

Product and Market

As a conclusion for the past, the Group is undergoing a scheme of replenishment and consolidation of sales and service centres for all regions so as to concentrate resources, to strengthen management and to enhance efficiency. Nevertheless, the Group is also actively conducting marketing activities. Establishment 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 their 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.

During the nine months ended 30 September 2003, the Company invested RMB4,800,000 to establish a subsidiary in Xian, namely Shaanxi Top Sci-Tech Company Limited. The market sales and technological services support network in the Northwest region were accordingly developed with its centre in Xian. Besides, the Group disposed of its subsidiary, Shanghai Top Sci-Tech Co., Ltd., and underwent the replenishment and consolidation of the market sales, technological services support network in the Huadong and Huabei regions such that the business of the sales and service centre in Shanghai was moved to and consolidated into the sales office in Beijing.

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.

Apart from the major products of "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 Group has successfully launched "CenTS Tax Management Information System". The system operates by computers through internet network which provides a platform for all levels of tax bureaux in the mainland in relation to tax data collection, storage, processing and flow as well as exchanges of information with other organisation and taxpayers. The main application of "Embedded Operating System" is used in "LED Display Control System" and other products.

Based on the multi-layer system integral framework structure for government administration, the Group has also developed and launched "Top Social Insurance Application Series Softwares" which are to be used by all levels of labour and social security departments in the mainland for management of information electronically in the areas of medical insurance, pension scheme insurance, unemployment insurance, workers compensation insurance and birth insurance. 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.

Liquid Capital and Financial Resources

As at 30 September 2003, the Group had net current assets of approximately RMB176,962,000, including bank balances and cash of approximately RMB135,652,000. 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.

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.

In the third quarter, the event of the SARS passed away and the commercial activities resumed normal. All deferred projects on progress were recommenced. Furthermore, the Group commenced to launch "CenTS Tax Management Information System" and "Top Social Insurance Application Series Softwares" and has been inputting resources to increase the market promotion for all kinds of products and services, which will push up the business of the Group.

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 for optimisation of 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 September 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			Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests		
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	Total	Percentage of equity interest in the registered share capital
Mr. Wang Zu Long	RMB200,000 ⁽²⁾	—	—	RMB200,000	2.00%

Notes:

1. As at 30 September 2003, the registered capital of Huaxi Information was RMB10,000,000, where the Company held 95% equity interest thereof.
2. On 22 October 2003, Mr. Wang Zu Long sold all of his equity interest in Huaxi Information.

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

Name of Directors	Personal interests	Family interests	Corporate interests	Total	Percentage of equity interest in the registered share capital
Mr. Wang Zu Long	RMB200,000 ⁽²⁾	—	—	RMB200,000	2.00%

Notes:

1. As at 30 September 2003, the registered share capital of Huaxi Electronics was RMB10,000,000 where the Company held 95% equity interest thereof.
2. On 22 October 2003, Mr. Wang Zu Long sold all of his equity interest in Huaxi Electronics.

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 nine months ended 30 September 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 September 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 September 2003, the Company has not granted any option pursuant to its share option scheme adopted on 25 October 2000.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 nine months ended 30 September 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 September 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 consolidated results for the nine months ended 30 September 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.

By order of the Board
Li Zheng Bin
Chairman

Chengdu, the PRC, 13 November 2003