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This announcement, for which the directors of Chengdu Top Sci-Tech Company Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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)

(Stock Code: 8135)

Preliminary report of independent sub-committee regarding certain financial assistance transactions

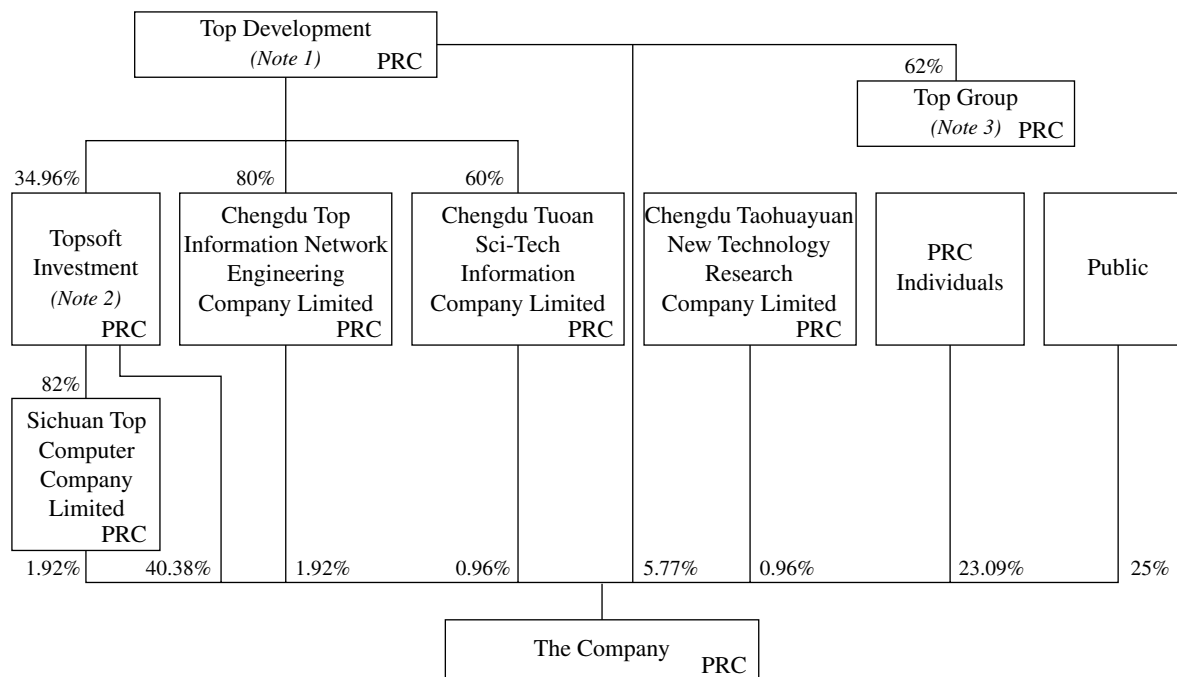
On 22 April 2004, the Committee was established for the purposes of carrying out an internal review regarding provision of certain financial assistance to entities (including connected persons) by the Group.

At the request of the Company, the trading of the Company's H shares has been suspended since 2:30 p.m. on 19 April 2004, pending release of an announcement in relation to price sensitive information. Trading of the Company's H shares continues to be suspended pending the release of further announcement relating to the Financial Assistance Transactions.

On 22 April 2004, Chengdu Top Sci-Tech Company Limited (the "Company", together with its subsidiaries, "the Group") established an independent sub-committee of the Board (the "Committee") comprising all the independent non-executive directors of the Company for the purposes of carrying out an internal review (the "Review") regarding provision of certain financial assistance ("Financial Assistance Transactions") to entities (including connected persons) by the Group.

Corporate Structure

The following chart sets out the corporate structure of the Company, Sichuan Top Sci-Tech Development Company (“Top Development”), Sichuan Topsoft Investment Company Limited (“Topsoft Investment”) and Top Group Sci-Tech Development Company Limited (“Top Group”).



Notes:

1. Top Development

Top Development is principally engaged in the business of forward research of key electronic information technology and research and commercializing of these key technology results. In addition, Top Development also provides management consultancy and related services to companies connected to it.

2. Topsoft Investment

Top Software is a listed company with its A shares listed on the Shenzhen Stock Exchange and principally engaged in the business of providing IT solutions to customers in the PRC.

3. Top Group

Top Group is principally engaged in the sales and integration of electronic products, machines, communication equipment, computers and computer accessories.

Details of Financial Assistance Transactions to connected persons

1 Top Group

Top Group is a company incorporated in the PRC, being a subsidiary of, and owned as to 62% by, Top Development. Top Development is a company incorporated in the PRC and holding an aggregate direct and indirect interest of 50.95% in the Company. Top Group and Top Development are connected persons (as defined in the GEM Listing Rules) of the Company.

(a) Corporate guarantee for a bank loan of RMB30,000,000

Since 23 October 2002, a corporate guarantee has been provided by the Group at the request of Top Group to an independent third party, Chengdu City Binjiang Office Branch, Industrial and Commercial Bank of China, in respect of a bank loan to the extent of RMB30,000,000 granted to Top Group. The Group has not entered into any contract nor agreed terms with Top Group in respect of this corporate guarantee. The Review revealed that, by the time being, Chengdu City Binjiang Office Branch, Industrial and Commercial Bank of China would not continue to provide loan to Top Group unless the Company agreed to act as guarantor of the loan. Seeing that Top Group and the Company were members of the group of companies of Top Development, the Company then provided guarantee for Top Group.

In March 2004, Chengdu City Binjiang Office Branch, Industrial and Commercial Bank of China sued Top Group and the Company for recovery of unrepaid loan of RMB30,000,000 (together with interest thereof) guaranteed by the Company. Up till now, the case has yet to be heard. The Group has made a provision of approximately RMB30,576,000 for the loss arising from such guarantee into the interim report of 2004.

(b) Pledged guarantee of buildings and land use rights for a bank loan of RMB40,000,000

Since 27 June 2003, the Group's buildings and land use rights have been pledged at the request of Top Group with an independent third party, Chengdu Branch, Citic Industrial Bank, in respect of a bank loan to the extent of RMB40,000,000 granted to Top Group. The aforesaid buildings and land use rights are located at Xiruan, Top Road, Hong Guang Zhen, Pi County, Chengdu, the PRC. The Group has not entered into any contract nor agreed terms with Top Group in respect of this pledged guarantee. The Review revealed that, by the time, Chengdu Branch, Citic Industrial Bank indicated that it would not continue to provide loan to Top Group unless the Company pledged its buildings, properties and land use right to the bank. The pledged guarantee was made as both the Company and Top Group were members of the group of companies of Top Development.

In April 2004, Citic Industrial Bank lodged a lawsuit against Top Group, Topsoft Investment, Jiangsu Chinese.com Company Limited and the Company; and to recover from Top Group of the outstanding bank loan of RMB136,000,000 and the interest thereof, including the Company of the pledged guaranteed outstanding bank loan of RMB40,000,000 and the interest thereof. Jiangsu Chinese.com Company Limited did not have any relationship with the Company. At the same time, Citic Industrial Bank seized the assets of Top Group and Topsoft Investment as a repayment of the outstanding loan and the interest thereof. Currently, the lawsuit is still pending hearing.

The Directors are of the view that the realisable value of seized assets should be sufficient to cover the repayment obligation and hence, no provision for loss arising for such pledged guarantee is required.

(c) *Loan of RMB120,200,000*

On 7 and 12 April 2004, the Group made loans to Top Group of RMB120,200,000. The loans are not secured by any securities and the interest thereof is at the prevailing bank rate of The People's Bank of China for working capital borrowings. The loans are of a term due repayable on 31 December 2004. The Review revealed that the reason for providing such loans was that by the time being, Top Group had financial difficulties and urgently needed funds to repay bank borrowings and that Top Group and the Company were members of the group of companies of Top Development.

According to the PRC legal opinion received by the Company, loan arranged between enterprises is contrary to the PRC regulations. As loan arranged between enterprises is contrary to the PRC regulations, the Group is asking Top Group for the cancellation of the relevant loans agreements and refund of such money. Letter demanding repayment of the loans was sent to Top Group on 30 April 2004. Up until now, the loans have not yet been repaid. Besides, no legal action has been taken against Top Group as negotiations for refund of such money are taken place.

As at 30 June 2004, the accumulated amount owing by Top Group to the Group was approximately RMB118,169,000.

2 Topsoft Investment

Topsoft Investment is a company incorporated in the PRC and holding an aggregate direct and indirect interest of 42.30% in the Company. Topsoft Investment is a connected person (as defined in the GEM Listing Rules).

(a) *Corporate guarantee for a bank loan of RMB18,900,000*

Since 29 December 2003, a corporate guarantee has been provided by the Group at the request of Topsoft Investment to an independent third party, China Merchants Bank, in respect of a bank loan to the extent of RMB18,900,000 granted to Topsoft Investment. The Group has not entered into any contract nor agreed terms with Topsoft Investment in respect of this corporate guarantee. The Review revealed that China Merchants Bank would not continue to provide bank loan to Topsoft Investment unless the Company provided a corporate guarantee. The corporate guarantee was made as Topsoft Investment was a shareholder of the Company.

In February 2004, China Merchants Bank has obtained confirmation from the government notary office in respect of the validity and enforceability of the outstanding bank loan of RMB18,900,000 together with the interest thereof due by Topsoft Investment, and the guarantees provided by the Company and Top Development.

On 5 March 2004, China Merchants Bank obtained an order from Sichuan Chengdu Intermediate People's Court that Topsoft Investment, the Company and Top Development failed to discharge their repayment obligation and that assets of Topsoft Investment be frozen. According to the PRC legal opinion received by the Company, China Merchants Bank had frozen the assets of Topsoft Investment. China Merchants Bank could sell the frozen assets and further the Company should be jointly liable for the repayment obligation if the proceeds from the sale of frozen assets could not satisfy the aforesaid liabilities.

The Directors are of the view that the realisable value of frozen assets should be sufficient to cover the repayment obligation and hence, no provision for the loss arising from such guarantee is required.

In relation to the above corporate guarantees and pledged guarantee of RMB88,900,000 and loans of RMB120,000,000 made to Top Group and Topsoft Investment, totalling RMB209,100,000, the Company was in breach of Rule 20.50 of the GEM Listing Rules in force before 31 March 2004 and Rule 20.63 of the current GEM Listing Rules as no notification to the Stock Exchange, prompt announcement nor obtainment of independent shareholders' approval were made. In relation to the above corporate guarantees and pledged guarantee, the Company was in breach of Chapter 19 of the GEM Listing Rule in force before 31 March 2004 as such guarantees was classified as discloseable transaction. In addition, Chapter 19 of the GEM Listing Rules was not complied with as such guarantees and loans was classified as major transaction and the Company did not comply with the GEM Listing Rules. Furthermore, Chapter 18 of the GEM Listing Rules was not complied with as the Company did not make disclosure of financial information on such guarantees.

3 Chengdu Western Software Park Company Limited (“Western Software Park”)

Western Software Park is a company incorporated in the PRC in which the Company holds 7.05% interest and Top Group holds 10% interest. Western Software Park is an investee company and not a connected person (as defined in the GEM Listing Rules) of the Company. Nevertheless, Western Software Park is a company in which both the Company and a connected person, Top Group, are shareholders and where any connected person(s) of the Company (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of such company. Therefore, the provision of financial assistance to Western Software Park is required to comply with the requirements set out in Chapter 20 of GEM Listing Rules. The other shareholders of Western Software Park are not connected persons (as defined in the GEM Listing Rules) of the Company and include Sichuan Hua Pu Software Development Company Limited, holding 47.65% interest; Beijing Xing Hua Torch Sci-Tech Development Company Limited, holding 4.8% interest; Chengdu Technology Renovation Investment Company, holding 0.5% interest; other individual shareholders, totalling over 4,000 persons, holding an aggregate of 30% interest.

(a) Corporate guarantee for a bank loan of RMB20,000,000

Since 23 June 2002, a corporate guarantee has been provided by the Group at the request of Western Software Park to an independent third party, Chengdu Branch, Huaxia Bank, in respect of a bank loan to the extent of RMB20,000,000 granted to Western Software Park. The Group has not entered into any contract nor agreed terms with Western Software Park in respect of this corporate guarantee. The Review revealed that by the time being, Chengdu Branch, Huaxia Bank would not continue to provide loan to Western Software Park unless the Company agreed to act as guarantor of the loan. Seeing that Western Software Park and the Company were members of the group of companies of Top Development, the Company then provided guarantee for Western Software Park.

In April 2004, Chengdu Branch, Huaxia Bank sued Western Software Park, the Company and Top Development, which has also provided corporate guarantee hereof, for recovery of the unrepaid loan of RMB20,000,000 (together with interest thereof) guaranteed by the Company. On 12 July 2004, Sichuan Chengdu Intermediate People's Court ordered that should Western Software Park fail to repay the loan of RMB20,000,000 (together with interest thereof) within 10 days from the day thereof, the Company should bear joint liability for repayment of such loan and Western Software Park, the Company and Top Development should be jointly liable for the court fee of RMB290,530.

According to the PRC legal opinion received by the Company, Chengdu Branch, Huaxia Bank had frozen the assets of Western Software Park. Chengdu Branch, Huaxia Bank could sell the frozen assets and furthermore the Company should be jointly liable for the repayment obligation if the proceeds from the sale of frozen assets could not satisfy the aforesaid liabilities. The Directors are of the view that the realisable value of frozen assets should be sufficient to cover the repayment obligation and hence, no provision for the loss arising from such guarantee is required.

(b) *Corporate guarantee for a bank loan of RMB9,850,000*

Since 29 December 2003, a corporate guarantee has been provided by the Group at the request of Western Software Park to an independent third party, China Merchants Bank, in respect of a bank loan to the extent of RMB9,850,000 granted to Western Software Park. The Group has not entered into any contract nor agreed terms with Western Software Park in respect of this corporate guarantee. The Review revealed that, by the time, China Merchants Bank indicated it would continue to provide loan to Western Software Park only if the Company acted as the guarantor. The corporate guarantee was provided since the Company and Western Software Park were members of the group of companies of Top Development.

In March 2004, China Merchants Bank has obtained confirmation from the government notary office in respect of the validity and enforceability of the outstanding loan of RMB9,850,000 together with the interest thereof due by Western Software Park, and the guarantees provided by the Company and Topsoft Investment. On 26 March 2004, China Merchants Bank obtained an order from Sichuan Chengdu Intermediate People's Court that Western Software Park, the Company and Topsoft Investment failed to discharge their repayment obligation and assets of Topsoft Investment be seized.

According to the PRC legal opinion received by the Company, China Merchants Bank had seized the assets of Topsoft Investment. China Merchants Bank could sell the seized assets and further the Company should be jointly liable for the repayment obligation if the proceeds from the sale of seized assets could not satisfy the aforesaid liabilities. The Directors are of the view that the realisable value of seized assets should be sufficient to cover the repayment obligation and hence, no provision for the loss arising from such guarantee is required.

(c) *Loan of RMB44,012,000*

On 2 April 2004, the Group made a loan to Western Software Park of RMB44,012,000. The loan is not secured by any securities and the interest thereof is at the prevailing bank rate of The People's Bank of China for working capital borrowings. The loan is of a term due repayable on 31 December 2004. The Review revealed that the reason for providing such loan was that by the time being, Western Software Park had financial difficulties and urgently needed funds to repay bank borrowings and that Western Software Park and the Company were members of the group of companies of Top Development.

According to the PRC legal opinion received by the Company, loan arranged between enterprises is contrary to the PRC regulations. As loan arranged between enterprises is contrary to the PRC regulations, the Group is asking Western Software Park for the cancellation of the relevant loan agreement and refund of such money. Letter demanding repayment of the loan was sent to Western Software Park on 30 April 2004. Up until now, the loan has not yet been repaid. Besides, no legal action has been taken against Western Software Park as negotiations for refund of such money are taken place.

As at 30 June 2004, the accumulated amount owing by Western Software Park to the Group was approximately RMB39,671,000.

In relation to the above provision of corporate guarantees of RMB29,850,000 for and loan of RMB44,012,000 made to Western Software Park, totalling RMB73,862,000, the Company was in breach of Rule 20.50 of the GEM Listing Rules in force before 31 March 2004 and Rule 20.63 of the current GEM Listing Rules as no notification to the Stock Exchange, prompt announcement nor obtainment of independent shareholders' approval were made. In addition, Chapter 19 of the GEM Listing Rules was not complied with as such corporate guarantees and loan was classified as major transaction and the Company did not comply with the GEM Listing Rules. Furthermore, Chapter 18 of the GEM Listing Rules was not complied with as the Company did not make disclosure of financial information on such corporate guarantees.

Details of Financial Assistance Transactions to a third party

4 Hunan Top Software Company Limited (“Hunan Top”)

Hunan Top is a company incorporated in the PRC, 53.33% of its equity interest is held by Hunan Hua Yuan Sci-Tech Development Company Limited (“Hunan Hua Yuan”). Hunan Hua Yuan is a company incorporated in the PRC in which Mr. Song Ru Hua, one of the founders of Top Development, holds 29.4% interest. Mr. Song Ru Hua held 19.05% equity interest in Top Development before disposing of entire interest in Top Development in February 2004. The remaining interests in Hunan Hua Yuan are held by individual shareholders who are not connected persons (as defined in the GEM Listing Rules) of the Company. Hunan Top and Hunan Hua Yuan are not connected persons (as defined in the GEM Listing Rules) of the Company. The other shareholders of Hunan Top are not connected persons (as defined in the GEM Listing Rules) of the Company and include Sichuan Top Information Development Company Limited, holding 16.67% interest; other individual shareholders, totalling 9 persons, holding an aggregate of 30% interest.

(a) Corporate guarantee for banking facilities of RMB30,000,000

Since 13 June 2003, a corporate guarantee has been provided by the Group at the request of Hunan Top to an independent third party, Changsha Branch, Industrial Bank Company Limited, in respect of a banking facilities to the extent of RMB30,000,000 granted to Hunan Top. The Group has not entered into any contract nor agreed terms with Hunan Top in respect of this corporate guarantee. The Review revealed that Changsha Branch, Industrial Bank Company Limited would not continue to provide banking facilities to Hunan Top unless the Company provided guarantee for the banking facilities. Then the Company agreed to provide such guarantee.

In April 2004, Industrial Bank Company Limited sued Hunan Top, the Company and Hunan Hua Yuan for recovery of the outstanding bank loan and bill payable guaranteed by the Company, totalling approximately RMB24,000,000 and the interest thereof. At the same time, Industrial Bank Company Limited seized pledged assets of Hunan Top as a repayment of the outstanding bank loan and bill payable, totalling approximately RMB24,000,000 and the interest thereof.

On 3 June 2004, Hunan Changsha Intermediate People's Court ordered that unless Hunan Top repaid all outstanding loan and bill payable, totalling RMB24,000,000 together with the interest thereof being RMB255,000 in 5 days. Otherwise, Industrial Bank Company Limited could sell the seized assets and further the Company should be jointly liable for the repayment obligation if the proceeds from the sale of seized assets could not satisfy the aforesaid liabilities. Hunan Top and the Company should be jointly liable for the court fee of RMB253,000.

The Directors are of the view that the realisable value of seized assets should be sufficient to cover the repayment obligation and hence, no provision for the loss arising from such guarantee is required.

In relation to the above corporate guarantee of RMB30,000,000 for Hunan Top, the Company was in breach of Chapter 18 of the GEM Listing Rules as the Company did not make disclosure of financial information on such corporate guarantee.

Preliminary view of the Committee

After its establishment, the Committee reviewed the agreements relevant to the Financial Assistance Transactions and their respective background. The Committee's preliminary view is that Mr. Li Zheng Bin, the Chairman of the Company, entered into the Financial Assistance Transactions while all other Directors did not have any knowledge thereof and without the approval from the Board. According to the PRC legal opinion received by the Company, these agreements are enforceable. Except for the agreement in respect of pledged guarantee as set out in number 1(b) above which, according to the Articles of Association of the Company, should be entered into with the approval from the Board, Mr. Li Zheng Bin had the authority to enter into the other relevant agreements in respect of the aforesaid loans and corporate guarantees by himself on behalf of the Company and without the approval from the Board.

In order to maintain the continuity and stability of the business of the Group, Mr. Li Zheng Bin remains as the Chairman and an executive Director of the Company. As the Company's annual report for year 2003 has not made disclosure on Financial Assistance Transactions and such transactions had not been audited, the Committee recommended to withdraw the resolutions regarding the annual report and the relevant matters which were proposed to the annual general meeting on 28 June 2004 so that such transactions be audited by the Company's auditors. After re-auditing, a revised annual report for the year 2003 would then be presented to the shareholders for approval.

The annual report for year 2003 and the relevant resolutions were withdrawn from the annual general meeting on 28 June 2004. Please refer to the announcement made by the Company on 30 June 2004.

The Group has not handled the Financial Assistance Transactions in accordance with the GEM Listing Rules, thus in breach of the GEM Listing Rules. The Stock Exchange is looking into the matter. The Stock Exchange reserves its right to take action against the Company and the relevant directors of the Company in respect of the aforesaid breaches.

Re-auditing

The Company is in negotiating with PricewaterhouseCoppers, Certified Public Accountants, on the service fee for re-auditing and the re-auditing of the financial statements for year 2003 will commence immediately after the service fee are agreed. An announcement regarding the development will be made.

Operation of the Group

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

The Review is still ongoing and pending the results of the court hearings in respect of corporate guarantees as set out in numbers 1(a) and 1(b) above for an assessment of overall financial impact towards the Group. The Company will make a further announcement in relation to the Review, including its outcome, in due course.

At the request of the Company, the trading of the Company's H shares has been suspended since 2:30 p.m. on 19 April 2004, pending release of an announcement in relation to price sensitive information. Trading of the Company's H shares continues to be suspended pending the release of further announcement relating to the Financial Assistance Transactions.

By Order of the Board
Li Zheng Bin
Chairman

As at the date of this announcement, the members of the Board are:

Mr. Li Zheng Bin (*Executive Director*)

Mr. Long Ji Gang (*Executive Director*)

Mr. Chen Wei Xin (*Executive Director*)

Mr. Chen Bao Yu (*Executive Director*)

Mr. Xu Jian Ping (*Non-executive Director*)

Professor Yang Ji Ke (*Independent Non-executive Director*)

Professor Wang Ming Dong (*Independent Non-executive Director*)

Ms. Xiao Bin (*Independent Non-executive Director*)

Chengdu, the PRC, 8 November 2004

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* *For identification purpose only*