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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)*

## **ONGOING CONNECTED TRANSACTIONS**

### **SUMMARY**

Pursuant to the resolutions passed by the Board on 5 September 2003, the Company will enter into the following agreements with Top Group, a 62% subsidiary of Top Development, the ultimate controlling shareholder of the Company, on 19 September 2003:

- Composite Services Agreement; and
- Supply Agreement.

The transactions as contemplated by these two agreements (“Ongoing Connected Transactions”) constitute non-exempt continuing connected transactions for the Company within the meaning of the GEM Listing Rules, therefore are subject to approvals by the Independent Shareholders.

The Directors (including the independent non-executive Directors) believe that the terms of the Ongoing Connected Transactions are made on an arm's length basis and on normal commercial terms which are no less favourable than terms available to or from independent third parties. The Directors (including the independent non-executive Directors) believe that they are made in the ordinary and usual course of business of the Company and are fair and reasonable and in the interest of the Company's shareholders as a whole.

\* *for identification purpose only*

The Company has appointed Core Pacific - Yamaichi Capital Limited as its financial adviser in connection with the Ongoing Connected Transaction and has appointed Tanrich Capital Limited as independent financial advisor to provide opinions to the independent board committee in relation thereto.

The Company will, within 21 days from the date of this announcement, issue a circular containing details of the Ongoing Connected Transactions, the advice from the independent board committee and the independent financial adviser, together with a notice to convene the EGM to approve the Ongoing Connected Transactions.

### **The Company and its relationship with Top Group**

The principal business of the Company (including subsidiaries) includes provision of system solution services and other value added services such as technology consultancy, after-sales support, training services and sales of IT related products. The Company is also engaged in the research, development, production and distribution of IT solutions of government administration systems.

As the major controlling shareholder of the Company, Top Development holds an aggregate of 50.95% direct and indirect interest in the Company, whereas Top Group is a 62% subsidiary of Top Development. Under the GEM Listing Rules, Top Group is a connected person of the Company. Transactions between the Company and Top Group constitute connected transactions under the GEM Listing Rules, subject to the disclosure requirements thereof.

Top Group is principally engaged in the sales and integration of electronic products, machines, communication equipments, computers and computer accessories. Unlike the Company, the business of which focuses on the government-related entities in the PRC, Top Group only focuses its business on the private sector. The Directors believe that there is no business competition between the Company and Top Group.

## ONGOING CONNECTED TRANSACTIONS

### Composite Services Agreement

Pursuant to the Composite Services Agreement, Top Group will provide the following services to the Company:—

Supply of Water and Electricity:	As the Company leases office space from Top Group, Top Group supplies the water (for sanitation purposes) and electricity used by the Company in the operation and maintenance of the leased space.
Telecommunication Services:	Top Group provides telecommunication services to the Company.
Vehicle Leasing Services:	Top Group provides the transportation services to the Company to transport its guests and employees.
Building Maintenance Services:	Top Group provides building maintenance services to the Company.

The Composite Services Agreement will commence on 1 January 2004 and expire on 31 December 2006 and the terms of the services shall be provided as follows:—

- (1) nation-wide government prescribed price;
- (2) where there is no nation-wide government-prescribed price, the prescribed price for Sichuan province or Chengdu will apply;
- (3) where there is neither a nation-wide government prescribed price nor a prescribed price for province or Chengdu, the price to be agreed between the relevant parties for the provision of the above services, which, in any event, shall not exceed the reasonable cost plus 20 per cent margin.

Such terms are no less favourable than terms offered to the associates (as defined under the GEM Listing Rules) of Top Group for provision of such composite services. The Directors further confirm that Top Group does not provide such services to independent third party.

Top Group began to provide similar composite services to the Company in 1999. In preparation of the Company's listing on the GEM of the Stock Exchange of Hong Kong in March 2001, the Company and Top Group entered

into a composite services agreement on 8 March 2001 to rationalize the arrangement regarding the provision of composite services by Top Group to the Company. Details of such services were set out in the Company's prospectus dated 26 March 2001. The Stock Exchange had granted a waiver to the Company for exemption from strict compliance of Rule 20.35 of the GEM Listing Rules. Pursuant to such waiver, the annual cap for each of the financial year 2001, 2002 and 2003 is RMB2,000,000 respectively. For the years ended 31 December 2000, 2001, 2002 and the first six months of 2003, the services fees paid by the Company to Top Group were approximately RMB1,863,000, RMB1,453,000, RMB830,000 and RMB586,000 respectively.

The Directors (including independent non-executive Directors) consider that the use of the aforesaid composite services provided by Top Group could reduce the operation cost of the Company. As the Company is an IT company, this would reduce the Company's administrative personnel and allow it to concentrate on business development activities. The Directors proposes that the annual cap for the fees payable for each of the three financial years ending 31 December 2006, by the Company to Top Group shall be RMB2,000,000 per year. The figure is set by reference to the anticipated development of the business of the Company.

Top Group would receive fees by providing composite services and the Company would settle the fees on a periodic basis or when the services are rendered.

## **Supply Agreement**

Pursuant to the Supply Agreement, Top Group will purchase from the Company certain information technology products and services at a price not less than fair market value of such information technology products and services or an amount the Company would ordinarily charge to an unrelated third-party, whichever is higher. The agreement will take effect on 1 January 2004 and expire on 31 December 2006. The Company may terminate the agreement upon 6-month prior notice to Top Group.

The Supply Agreement allows the Company to sell its products and services to Top Group, thus increasing the Company's turnover. Top Group has strong business connections and network. Top Group may require the Company to provide IT products or services to them and its clients. The Company believes that Top Group may expect a more reliable services provided by the Company.

The Company provided products and services to Top Group amounting to approximately RMB1,493,000, RMB44,000 and RMB598,000 in the financial years 1999, 2000 and 2002 respectively. The Directors propose that the annual cap in respect of the supply by the Company to Top Group paid by Top Group to the Company for each of the three financial years ending 31 December 2006 is RMB20,000,000 per year. The annual cap was indicated by Top Group to the Company as the estimated demand for each of the coming three years. To the best knowledge of the Directors, the proposed annual cap represents only a small portion of the annual turnover of Top Group. As the Company acts on the request from Top Group in providing products and services in this area, the proposed cap is set solely based on the estimated demand from Top Group.

Pursuant to the Supply Agreement, the Company would have separate underlying agreement in respect of each supply transaction of information technology products and services to be placed by Top Group in order to define the name, quantity, price, standard of quality of the provision of products and/or services. Same type of transaction in the market would be referred so as to ensure that the price and the schedule of payment by the Company is fair and reasonable.

## **REASONS FOR, AND BENEFITS OF, THE ONGOING CONNECTED TRANSACTIONS**

According to the GEM Listing Rules, the transactions mentioned in this announcement constitute continuing connected transactions, so that the requirements of reporting, announcement, shareholders' approval and annual review shall apply.

The Directors (including the independent non-executive Directors) believe that the terms of the Ongoing Connected Transactions are made on arm's length basis and on normal commercial terms which are no less favourable than terms available to or from independent third parties. The Directors (including the independent non-executive Directors) believe that such terms are made in the ordinary and usual course of business of the Company and are fair and reasonable and in the interest of the Company's shareholders as a whole.

## **CONDITIONS**

The Ongoing Connected Transactions are subject to the reporting requirements set out in Rule 20.34, the announcement requirement set out in

Rule 20.35 and/or the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules. An application will be made to the Stock Exchange for a waiver from strict compliance with Rule 20.35 and Rule 20.36 of the GEM Listing Rules.

The Stock Exchange has indicated that the waivers as requested would be granted to the Company on the conditions stated below for three years expiring on 31 December 2006 (the "Waiver Period"):

- (A) in any financial year during the Waiver Period, the respective consideration in respect of each of the Ongoing Connected Transactions does not exceed their respective cap;
- (B) details of each of the Ongoing Connected Transactions shall be disclosed in the Company's annual report as described in Rules 20.34(1) to (5) of the GEM Listing Rules;
- (C) the independent non-executive Directors shall review the Ongoing Connected Transactions annually and confirm in the Company's annual report and accounts for the year in question that such Ongoing Connected Transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Company;
  - (b) on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the independent shareholders of the Company as a whole;
- (D) each year the auditors of the Company shall review the Ongoing Connected Transactions and provide a letter to the Board (with a copy to the GEM Listing Division) confirming that the Ongoing Connected Transactions:
  - (a) have received the approval of the Board;

- (b) are in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company;
  - (c) have been entered into in accordance with the relevant agreements governing the transactions; and
  - (d) the respective consideration in respect of each of the Ongoing Connected Transactions has not exceeded their respective caps;
- (E) the Company shall promptly notify the GEM Listing Division of the Stock Exchange if it knows or has reasons to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in Rules 20.27 and/or 20.28, respectively, the Company may have to re-comply with Rules 20.26(3) and (4) and any other conditions as the GEM Listing Division of the Stock Exchange considers appropriate;
- (F) in addition to complying with Rules 20.26 to 20.28 of the GEM Listing Rules, where (i) the aggregate consideration under each Ongoing Connected Transaction in any year is to be greater than the annual cap, or (ii) such cap in any year is to be greater than the higher of HK\$10 million or 3 per cent of the net tangible assets of the Company, the transaction and the aggregate consideration (or the cap) are subject to review and new approval by independent shareholders at the annual general meeting following the initial approval and at each subsequent annual general meeting so long as the transaction continues. The independent non-executive Directors will be required to opine in the annual report whether or not the Company should continue with the agreement for the transaction; and
- (G) in relation to any Ongoing Connected Transaction, the Company and the counterparty to such Ongoing Connected Transactions shall submit to the Stock Exchange an undertaking that it will allow the auditors of the Company sufficient access to their records for the purpose of reporting on the transactions as set out in Rule 20.28 of the GEM Listing Rules.

If there are changes or updates in any terms of the above agreements and contracts or that the Company and any connected persons (within the definition of the existing GEM Listing Rules) reach any new arrangements, the Company undertakes to comply with the requirements in the corresponding provisions of Chapter 20 of the GEM Listing Rules, unless the Company

reports to the Stock Exchange and is granted an exemption. Also, when the above limits are likely to be exceeded, the Company shall promptly notify the Stock Exchange in writing and seek the approval of Independent Shareholders if necessary.

## **EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS**

The Ongoing Connected Transactions will require approval by the Independent Shareholders at an extraordinary general meeting of the Company to be convened. Details of the Ongoing Connected Transactions and the terms of the relevant agreements, a letter of recommendation from the independent board committee of the Company, and a letter of advice by Tanrich Capital Limited, the independent financial adviser to the independent board committee of the Company, will be contained in a circular to be dispatched to the Shareholders within 21 days of publication of this announcement pursuant to the GEM Listing Rules. Notice of the extraordinary general meeting will be dispatched to the Shareholders with the circular. Top Group and its associates, as defined in the GEM Listing Rules, will abstain from voting at the extraordinary general meeting.



## DEFINITIONS

As used in this announcement, the following words and phrases shall have the following meanings.:

“cap”	the maximum annual aggregate value of a transaction
“Company”	Chengdu Top Sci-Tech Company Limited
“Composite Services Agreement”	the composite services agreement to be entered into between the Company and Top Group on 19 September 2003, pursuant to which Sichuan Top Group will provide composite services for the Company
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong (as amended from time to time)
“Independent Shareholders”	shareholders of the Company, other than Top Group, and its associates, as defined in the GEM Listing Rules
“Ongoing Connected Transactions”	continuing connected transactions between the Company and Top Group as more particularly stated in this announcement
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the information technology products supplies services agreement to be entered into between the Company and Top Group on 19 September 2003, pursuant to which Top Group will purchase certain information technology products and services from the Company

“Top Development”            Top Sci-Tech Development Company, a company incorporated in the PRC, holding an aggregate direct and indirect interest of 50.95% in the Company

“Top Group”                 Top Group Technology Development Company Limited, a company incorporated in the PRC, and being a subsidiary of, and owned as to 62% by, Top Development

By order of the Board  
**Chengdu Top Sci-Tech Company Limited**  
**Li Zheng Bin**  
*Chairman*

Chengdu, the PRC, 10 September 2003

*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 of Hong Kong Limited for the purpose of giving information with regard to Chengdu Top Sci-Tech Company Limited. 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.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the day of its posting.*