



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2004**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
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This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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.

FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of Chengdu Top Sci-Tech Company Limited (the “Company”) hereby announces unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2004 and the comparatives for the corresponding period in 2003 as follows:

	For the three months ended 31 March	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover (<i>note 3</i>)	3,761	7,951
Cost of sales	(3,033)	(3,696)
Amortisation of intangible assets	<u>(3,255)</u>	<u>(3,255)</u>
Gross (loss) profit	(2,527)	1,000
Other revenue (<i>note 3</i>)	949	732
Distribution costs	(1,256)	(840)
Administrative expenses	(2,063)	(691)
Other operating expenses	<u>(72)</u>	<u>(72)</u>
Operating (loss) profit	(4,969)	129
Finance costs	(11)	(1)
Subsidy income (<i>note 4</i>)	<u>86</u>	<u>555</u>
(Loss) profit before taxation	(4,894)	683
Taxation (<i>note 5</i>)	<u>269</u>	<u>(300)</u>
(Loss) profit after taxation	(4,625)	383
Minority interests	<u>42</u>	<u>565</u>
(Loss) profit attributable to shareholders	<u>(4,583)</u>	<u>948</u>
Dividends (<i>note 6</i>)	<u>—</u>	<u>—</u>
Basic (loss) earnings per share (<i>note 7</i>)	<u>RMB(0.0068)</u>	<u>RMB0.0014</u>

MOVEMENT IN RESERVES

The Group's movement in reserves are as follows:

	Share premium RMB'000	Revaluation surplus RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2003, as previously reported	96,407	39,485	19,144	10,747	10,220	72,832	248,835
Changes in accounting policy — provision for net deferred tax (Note 2)	—	(5,923)	—	—	—	7,683	1,760
At 1 January 2003, as restated	96,407	33,562	19,144	10,747	10,220	80,515	250,595
Profit attributable to shareholders	—	—	—	—	—	948	948
At 31 March 2003	<u>96,407</u>	<u>33,562</u>	<u>19,144</u>	<u>10,747</u>	<u>10,220</u>	<u>81,463</u>	<u>251,543</u>
At 1 January 2004	96,407	33,562	19,077	10,713	10,220	70,827	240,806
Loss attributable to shareholders	—	—	—	—	—	(4,583)	(4,583)
At 31 March 2004	<u>96,407</u>	<u>33,562</u>	<u>19,077</u>	<u>10,713</u>	<u>10,220</u>	<u>66,244</u>	<u>236,223</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 listed on GEM on 30 March 2001.

The principal activities of the Group are 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 accounting standards issued by the Hong Kong Society of Accountants and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The principal accounting policies adopted in preparing the accounts are consistent with those used in the annual financial statements for the year ended 31 December 2003 of the Group.

In prior year, it was the first time of the Group to adopt the new SSAP12 representing a change in accounting policy, which had been applied retrospectively so that the deferred taxation and its related comparatives presented had been restated to conform with the changed policy. The opening retained earnings and revaluation surplus of the Group at 1 January 2003 had been respectively increased by approximately RMB7,683,000 and decreased by approximately RMB5,923,000; and the profit for the three months ended 31 March 2003 had been increased by approximately RMB109,000.

3. Turnover and revenue

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

	For the three months ended 31 March	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Sales of software and information systems	1,372	7,196
Sales of information technology related products	<u>2,389</u>	<u>755</u>
	3,761	7,951
Other revenue		
Rental income	234	375
Interest income	693	305
Other	<u>22</u>	<u>52</u>
	<u>949</u>	<u>732</u>
Total revenues	<u><u>4,710</u></u>	<u><u>8,683</u></u>

4. Subsidy income

	For the three months ended 31 March	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Financial refund ^(a)	—	—
Tax refund ^(b)	<u>86</u>	<u>555</u>
Total	<u><u>86</u></u>	<u><u>555</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 support of the development of the Company, the Company is entitled to a financial refund based on conditions as stipulated in the notices. The financial refund is recorded as subsidy income and recognised on a cash basis. According to Circular Guo Fa [2000] No. 2 issued by the State Council in January 2000, the above-mentioned financial refund requires approval from the State Council or it will cease to be available. Therefore, there is no assurance that the Company will continue to enjoy such refunds 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 the relevant tax regulations, a New and High Technology Enterprise operating in a State Level New and High Technology Development Zone (“NHTDZ”) is entitled to a reduced EIT rate of 15%. The Company is recognized as a New and High Technology Enterprise and is registered in the Chengdu NHTDZ. Accordingly, the Company is subject to EIT at 15%. 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 is subject to Hong Kong profits tax.

Details of EIT during the period are as follows:

	For the three months ended 31 March	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation	—	423
Deferred taxation	<u>(269)</u>	<u>(123)</u>
Total	<u>(269)</u>	<u>300</u>

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

	For the three months ended 31 March	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
(Loss) profit before taxation	<u>(4,894)</u>	<u>683</u>
Calculated at taxation rate of 15% (2003: 15%)	(734)	102
Effect of different taxation rate in subsidiaries	(185)	(423)
Income not subject to taxation	(13)	(83)
Expenses not deductible for taxation purposes	92	265
Tax losses not recognised	<u>571</u>	<u>439</u>
Taxation	<u>(269)</u>	<u>300</u>

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

The Group's sales of self-manufactured products and purchased merchandise for resale are subject to VAT. The applicable tax rate for domestic sales is 17%.

Input VAT paid on purchases of raw materials and other production materials and merchandise can be netted off against the output VAT from sales.

VAT payable or receivable is the net difference between periodic output and deductible input VAT.

(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 recognized as a sino-foreign investment joint stock 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

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004 (three months ended 31 March 2003: nil).

7. (Loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to shareholders of approximately RMB(4,583,000) for the three months ended 31 March 2004 (three months ended 31 March 2003: profit of approximately RMB948,000) and the weighted average number of 676,000,000 shares in issue during the three months ended 31 March 2004 (during the three months ended 31 March 2003: 676,000,000 shares).

No diluted (loss) earnings per share is calculated as there were no potentially dilutive equities outstanding during either period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 March 2004, the Group recorded turnover of approximately RMB3,761,000 and loss attributable to shareholders of approximately RMB4,583,000. The loss per share was RMB0.0067. This represented a drop of 52.7% 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 in respect of sales of software and information systems. The Group has solidly reinforced the sales of the products, improving the sales of information technology related products. Nevertheless, the profit margin of such category of products was relatively low, reducing the overall gross profit margin which recorded as a loss. The administrative expenses were risen by 198.5% as compared with the same period of last year. The main reason was that the provision for doubtful debts was charged by approximately RMB633,000 for the period, which was credited by approximately RMB934,000 for the same period of last year. Before including the calculation of provision for doubtful debts, the administrative expenses of the period dropped from approximately RMB1,625,000 of last year to approximately RMB1,430,000 of this year. Currently, the Group continues the adoption to implement strict cost control measures in order to effectively control and contract the Group's overall costs.

Market and Products

The Group is strengthening performance appraisal over sales and service centers for all regions so as to enhance efficiency. In addition, the Group is also actively conducting marketing activities for the purposes of promoting the Group's products and providing value added services as well as enlarging the level of connection with and bases of customers and also maintaining a close relationship with customers. Besides, the Group also continues to provide training for its staff in order to strengthen their technical, production and promotion skills.

With regard to the increasing market competition, the Group underwent a re-allocation of production resources so as to develop focusingly on the advantaged products and to build up a more sharp market image. This would increase the well-known and competitiveness of the Company in the market concerned.

Currently the major products are 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", "Embedded Operating System", "CenTS Tax Management Information System" and "Top Social Insurance Application Series Software".

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

At 31 March 2004, the Group had bank and cash balances of approximately RMB171,520,000. During the reporting period, the financial position of the Group remained sound and healthy. The Directors believe that the Group had sufficient financial resources to meet the needs of undertaking and operating capital.

Nevertheless, the Group made loans to an affiliated company, Chengdu Western Software Park Company Limited (“Western Software Park”), and a connected party, Top Group Sci-Tech Development Company Limited (“Top Group”), of RMB44,012,000 and RMB120,200,000 respectively, totalling RMB164,212,000, in April 2004. Top Group is a company incorporated in the PRC, being a subsidiary of, and owned as to 62% by, Sichuan Top Sci-Tech Development Company (“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. Western Software Park is a company incorporated in the PRC in which the Company holds 7.05% interest. As loan arranged between enterprises is contrary to the state’s regulation, the Group is asking Western Software Park and Top Group for the cancellation of the relevant loans agreements and refund of such money. Currently, the operation of the Group has not been affected.

In relation to the above loans, the Group has not handled in accordance with the requirements set out in the GEM Listing Rules. Accordingly, the Company has been in breach of the GEM Listing Rules.

Charged Assets

At 31 March 2004, the Group’s buildings and land use rights have been pledged with Chengdu Branch, Citic Industrial Bank in respect of a bank loan to the extent of RMB40,000,000 granted to Top Group.

In relation to the above financial assistance, the Group has not handled in accordance with the requirements set out in the GEM Listing Rules. Accordingly, the Company has been in breach of the GEM Listing Rules.

Contingent Liabilities

At 31 March 2004, the Group had material contingent liabilities follows:

1. A corporate guarantee has been provided to Chengdu Branch, Huaxia Bank in respect of a bank loan to the extent of RMB20,000,000 granted to Western Software Park.

At 31 March 2004, no provision was required by the Group for the possible loss arising from the guarantee.

2. A corporate guarantee has been provided to 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.

At 31 March 2004, no provision was required by the Group for the possible loss arising from the guarantee.

3. A corporate guarantee has been provided to Changsha Branch, Industrial Bank Company Limited in respect of a banking facilities to the extent of RMB30,000,000 granted to the third party, Hunan Top Software Company Limited (“Hunan Top”). Hunan Top is a company incorporated in the PRC. In April 2004, Industrial Bank Company Limited lodged a lawsuit against Hunan Top, the Company and Hunan Hua Yuan Sci-Tech Development Company Limited (“Hunan Hua Yuan”); and to recover the Company of the guaranteed outstanding bank loan and bill payable approximately RMB24,000,000 and the interest thereof.

At 31 March 2004, no provision was required by the Group for the possible loss arising from the guarantee. The Directors are also of the opinion that the assets of Hunan Hua Yuan repossessed by Industrial Bank Company Limited should be adequate to cover the outstanding bank loan and bill payable of approximately RMB24,000,000 and the interest thereof.

4. The Group’s buildings and land use rights have been pledged with Chengdu Branch, Citic Industrial Bank in respect of a bank loan to the extent of RMB40,000,000 granted to Top Group. In April 2004, Citic Industrial Bank lodged a lawsuit against Top Group, Sichuan Topsoft Investment Company Limited (“Topsoft Investment”), Jiangsu Chinese.com Company Limited and the Company; and to recover from the Company of the pledged guaranteed outstanding bank loan of RMB40,000,000 and the interest thereof. Topsoft Investment is a company incorporated in the PRC and holding an aggregate direct and indirect interest of 42.30% in the Company.

At 31 March 2004, no provision was required by the Group for the possible loss arising from the pledged guarantee. The Directors are also of the opinion that the assets of Top Group repossessed by Citic Industrial Bank should be adequate to cover the outstanding bank loan of approximately RMB40,000,000 and the interest thereof.

5. A corporate guarantee has been provided to China Merchants Bank in respect of a bank loan to the extent of RMB18,900,000 granted to Topsoft Investment.

At 31 March 2004, no provision was required by the Group for the possible loss arising from the guarantee.

6. A corporate guarantee has been provided to China Merchants Bank in respect of a bank loan to the extent of RMB9,850,000 granted to Western Software Park.

At 31 March 2004, no provision was required by the Group for the possible loss arising from the guarantee.

In relation to the above financial assistance, the Group has not handled in accordance with the requirements set out in the GEM Listing Rules. Accordingly, the Company has been in breach of the GEM Listing Rules.

Prospects

For 2004, we anticipate that the competition is still keen and it will be a year of difficulties and care development for the Group. The Group will continue to intensify R&D, to provide client-oriented application software and value added services, to perfect sales network and to satisfy the customers' needs by due care implementation of every project, for the purpose of achieving a stable business growth.

The market sales and services network in all regions are continuously improved to enable our provision of quality services to customers, exploration of new market and widening of sales channels.

In satisfying the customers' needs, the Group will be actively conducting R&D, applying new technology, and launching new products so as to enhance the products competitiveness. The Group will also reinforce the internal control and management as well as the stringent control measures over costs and expenses in order to achieve a stable business growth.

In addition, the Group will make every effort to seize each opportunity to explore investments opportunities in other technological areas so as to achieve the aim of optimizing the shareholders' interests.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

According to Rules 17.18 and 17.24 of the GEM Listing Rules, a disclosure obligation has arisen where any of the percentage ratios of the financial assistance extended by the Company or any of its subsidiaries to affiliated companies, and guarantees given by the Company or any of its subsidiaries in respect of facilities granted to affiliated companies in aggregate exceeds 8%.

The information required to be disclosed in relation to the provision of financial assistance and guarantees to an affiliated company, Chengdu Western Software Park Company Limited ("Western Software Park"), a company incorporated in the PRC in which the Company holds 7.05% interest, is as follows:

Date	Nature	Amount of guarantee RMB'000	Utilisation of banking facilities as at 31 March 2004 RMB'000
23 June 2002	Provision of a corporate guarantee to Chengdu Branch, Huaxia Bank in respect of a bank loan granted to Western Software Park	20,000	20,000
29 December 2003	Provision of a corporate guarantee to China Merchants Bank in respect of a bank loan granted to Western Software Park	<u>9,850</u>	<u>9,850</u>
Total		<u>29,850</u>	<u>29,850</u>

The Group had not obtained security in respect of the above provision of corporate guarantees to Western Software Park.

In April 2004, a loan was made by the Group to Western Software Park of approximately RMB44,012,000. Such loan was unsecured, interest bearing and repayable on 31 December 2004. As loan arranged between enterprises is contrary to the state's regulation, the Group is asking for Western Software Park for the cancellation of the relevant loan agreement and refund of such money.

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

As at 31 March 2004, 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 5.46 of the GEM Listing Rules were as follows:

Long positions in shares

Name of Directors	Number of 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 Top Development, Mr. Li Zheng Bin holds 1.58% interest in Top Development.

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 5.46 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 5.46 of the GEM Listing Rules.

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

During the three months ended 31 March 2004, none of the Directors, Supervisors or chief executives was granted options to subscribe for any types of securities of the Company. As at 31 March 2004, 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 for any types of the Company's securities.

SHARE OPTION SCHEME

Up to 31 March 2004, 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

So far as is notified to the Directors of the Company, as at 31 March 2004, shareholders (other than Directors, Supervisors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long position

Number of Shareholder	Name of Ordinary shares of RMB0.10 each	Percentage of issued share capital
Top Development	344,500,000 ^{(1),(2)}	50.95%
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% interest of the Company. Topsoft Investment owns 82% interest of Top Computer, which owns 1.92% interest of the Company. Top Development owns 80% interest of Chengdu Top Information Network Engineering Company Limited, which owns 1.92% interest of the Company. Top Development owns 60% interest of Chengdu Tuoan Sci-Tech Information Company Limited, which owns 0.96% interest of the Company.
3. Topsoft Investment owns 82% interest of Top Computer, which owns 1.92% interest of the Company. Topsoft Investment's direct interest in the Company is 40.38%.
4. The Labour Association of Top Development owns 34.39% interest of Top Development. As to Top Development's interests in the Company, please see note 2 above.

Save as disclosed above, as at 31 March 2004, the Directors of the Company were not aware of any other person (other than Directors, Supervisors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the three months ended 31 March 2004, 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.

AUDIT COMMITTEE

The Company established an audit committee on 8 March 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 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.

After Mr. Li Ming Shu resigned on 25 February 2004 and Mr. Fan Jing Ru withdrew from the audit committee in accordance with Rule 5.28 of the GEM Listing Rules on 31 March 2004, the audit committee comprises three members, namely Professor Yang Ji Ke, Professor Wong Ming Dong and Ms Xiao Bin, all being the independent non-executive Directors of the Company.

The audit committee has reviewed the Group's unaudited consolidated results for the three months ended 31 March 2004 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

The Group has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the three months ended 31 March 2004.

By order of the Board
Li Zheng Bin
Chairman

The Board of Directors of the Company comprises of:

Mr. Li Zheng Bin (*Executive Director*)

Ms. Ma Jun (*Executive Director*)

Mr. Fan Jing Ru (*Executive Director*)

Mr. Chen Zhong Hao (*Executive Director*)

Mr. Wang Zu Long (*Executive Director*)

Mr. Huang Wei Bin (*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,

13 May 2004

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the day of its publication.

** For identification purpose only*