



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)

**Third Quarterly Results Announcement  
For the Nine Months Ended 30 September 2004**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
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*This announcement, 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 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.*

### 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 2004 and the comparatives for the corresponding period in 2003 as follows:

	<i>Note</i>	<b>For the nine months ended 30 September</b>		<b>For the three months ended 30 September</b>	
		<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	11,725	17,643	4,558	4,297
Cost of sales		(11,552)	(9,460)	(5,026)	(2,936)
Amortization of intangible assets		<u>(9,429)</u>	<u>(9,766)</u>	<u>(2,918)</u>	<u>(3,255)</u>
Gross loss		(9,256)	(1,583)	(3,386)	(1,894)
Other revenue	3	1,496	3,959	219	2,899
Distribution costs		(3,037)	(2,585)	(858)	(957)
Administrative expenses		(13,107)	(4,968)	(2,552)	(3,349)
Other operating expenses		(322)	(268)	(138)	(122)
Provision for loss from corporate guarantee	4	<u>(30,576)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss from operations		(54,802)	(5,445)	(6,715)	(3,423)
Finance costs		(21)	(6)	(2)	(3)
Subsidy income	5	<u>243</u>	<u>655</u>	<u>124</u>	<u>91</u>
Loss before taxation		(54,580)	(4,796)	(6,593)	(3,335)
Taxation	2, 6	<u>2,360</u>	<u>28</u>	<u>423</u>	<u>563</u>
Loss after taxation		(52,220)	(4,768)	(6,170)	(2,772)
Minority interests		<u>69</u>	<u>736</u>	<u>26</u>	<u>162</u>
Loss attributable to shareholders		<u>(52,151)</u>	<u>(4,032)</u>	<u>(6,144)</u>	<u>(2,610)</u>
Dividends	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Basic loss per share	8	<u>RMB(0.0772)</u>	<u>RMB(0.006)</u>	<u>RMB(0.0091)</u>	<u>RMB(0.0039)</u>

## 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 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)	—	(5,923)	—	—	—	7,683	1,760
- As restated	96,407	33,562	19,144	10,747	10,220	80,515	250,595
Disposal of a subsidiary	—	—	(117)	(59)	—	—	(176)
Loss attributable to shareholders	—	—	—	—	—	(4,032)	(4,032)
As at 30 September 2003	<u>96,407</u>	<u>33,562</u>	<u>19,027</u>	<u>10,688</u>	<u>10,220</u>	<u>76,483</u>	<u>246,387</u>
As at 1 January 2004	96,407	33,562	19,077	10,713	10,220	70,827	240,806
Loss attributable to shareholders	—	—	—	—	—	(52,151)	(52,151)
As at 30 September 2004	<u>96,407</u>	<u>33,562</u>	<u>19,077</u>	<u>10,713</u>	<u>10,220</u>	<u>18,676</u>	<u>188,655</u>

### NOTES:

#### 1. Organization 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, sales of information technology related products, and 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 Institute of Certified Public Accountants 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 2003.

In prior year, it was the first time of the Group to adopt the new SSAP 12 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 loss for the nine months ended 30 September 2003 and six months ended 30 June 2003 had been respectively decreased by approximately RMB252,000 and increased by approximately RMB29,000.

### 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	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover				
Sales of software and information system	8,224	16,904	4,070	4,303
Sales of information technology related products	<u>3,501</u>	<u>739</u>	<u>488</u>	<u>(6)</u>
	11,725	17,643	4,558	4,297
Other revenue				
Rental income	639	1,335	212	616
Interest income	832	356	6	30
Gain on disposal of a subsidiary	—	2,176	—	2,176
Gain on disposals of fixed assets	—	6	—	6
Other	<u>25</u>	<u>86</u>	<u>1</u>	<u>71</u>
	<u>1,496</u>	<u>3,959</u>	<u>219</u>	<u>2,899</u>
Total revenues	<u><u>13,221</u></u>	<u><u>21,602</u></u>	<u><u>4,777</u></u>	<u><u>7,196</u></u>

### 4. Provision for loss from corporate guarantee

Since 23 October 2002, a corporate guarantee has been provided by the Group 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 a connected person, Top Group Technology Development Company Limited ("Top Group"). The Group has not entered into any contract nor agreed terms with Top Group in respect of this corporate guarantee. 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 third quarterly report of 2004.

### 5. Subsidy income

	For the nine months ended 30 September		For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Financial refund (a)	—	—	—	—
Tax refund (b)	<u>243</u>	<u>655</u>	<u>124</u>	<u>91</u>
	<u><u>243</u></u>	<u><u>655</u></u>	<u><u>124</u></u>	<u><u>91</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.

## 6. Taxation

### (a) Enterprise income tax (“EIT”)

In accordance with relevant tax regulations, a New and High Technology Enterprise operating in a State Level New and High Technology Development Zone (“NHTDZ”) is entitled to a reduced EIT rate of 15%. The Company is recognized as a New and High Technology Enterprise and is registered in Chengdu NHTDZ. Accordingly, the Company is subject to EIT at 15%. The subsidiaries of the Company are subject to EIT at 33%.

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

The amount of taxation charged (written back) to the consolidated results represents:

	For the nine months ended 30 September		For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Current taxation				
- Increase (decrease) in provision for current EIT	—	93	—	(139)
- (Reversal) booking of (over-) under-provision for EIT in prior periods	(287)	564	—	—
Deferred taxation	<u>(2,073)</u>	<u>(685)</u>	<u>(423)</u>	<u>(424)</u>
Total	<u>(2,360)</u>	<u>(28)</u>	<u>(423)</u>	<u>(563)</u>

The taxation of the Group's loss 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	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Loss before taxation	<u>(54,580)</u>	<u>(4,796)</u>	<u>(6,593)</u>	<u>(3,335)</u>
Calculated at a taxation rate of 15% (2003: 15%)	(8,187)	(719)	(989)	(500)
Effect of different taxation rates in subsidiaries	(365)	(616)	(120)	(148)
Income not subject to taxation	(36)	(98)	(18)	(13)
Expenses not deductible for taxation purposes	6,515	841	704	98
(Reversal) booking of (over-) under- provision for EIT in prior periods	<u>(287)</u>	<u>564</u>	<u>—</u>	<u>—</u>
Taxation	<u>(2,360)</u>	<u>(28)</u>	<u>(423)</u>	<u>(563)</u>

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

The Group's sales of self-manufactured products and purchased merchandise for resale are subject to VAT. The application 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 output VAT from sales.

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

## 7. Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (nine months ended 30 September 2003: Nil).

## 8. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the nine months and three months ended 30 September 2004 of respectively approximately RMB52,151,000 and RMB6,144,000 (nine months and three months ended 30 September 2003: approximately RMB4,032,000 and RMB2,610,000 respectively) and on the weighted average of outstanding 676,000,000 shares for the nine months and three months ended 30 September 2004 (during the nine months and three months ended 30 September 2003: 676,000,000 shares).

No diluted loss per share is calculated as there were no potentially dilutive equities during the periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the nine months ended 30 September 2004, the Group recorded turnover of approximately RMB11,725,000 and loss attributable to shareholders of approximately RMB52,151,000. This represented a drop of 33.5% 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. Starting from this year, 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 in a loss. Due to the provision for inventory obsolescence being increased by approximately RMB1,050,000 for the third quarter, a gross loss (stated before the fixed amortization of intangible assets) was resulted in the third quarter.

The administrative expenses were raised by 163.8% as compared with the same period of last year. The main reasons were that the estimated fee for re-auditing the financial statements of year 2003 has been accrued and the provision for doubtful debts was charged by approximately RMB8,241,000 for the period, which was made by approximately RMB1,302,000 for the same period of last year. Before including the calculation of provision for doubtful debts, the administrative expenses of the period increased from approximately RMB3,666,000 of last year to approximately RMB4,866,000 of this year. With the provision of approximately RMB30,576,000 was made to account for the contingent loss arising from corporate guarantee, the resultant loss attributable to shareholders of the Group for the period was further.

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 Product

The Group is strengthening performance appraisal over sales and service centers 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 reallocation of production resources so as to develop focusing 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”, “Embedded Operating System”, “CenTS Tax Management Information System” and “Top Social Insurance Application Series Software”.

### **Research and Development**

The Group continuously focused on the research and development of component software modules. In order to keep abreast of the trend of market development, the Group has established special teams for the research and development of different areas such as “CenTS Tax Management Information System” and “Multi-layer System Integral Framework Structure for Government Administration”. 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 2004, the Group had net current assets of approximately RMB131,246,000, including bank balances and cash of approximately RMB4,364,000.

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**

For the fourth quarter of 2004, we anticipate that the competition is still keen. It is still of difficulties and care development for the Group. The Group is continuing to intensify R&D to provide client-orientated 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 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.



## ADVANCE AND GUARANTEES TO AN INVESTEE COMPANY

According to Rule 17.15 and Rule 17.24 of the GEM Listing Rules, a disclosure obligation has arisen where any of the percentage ratios of the relevant advance to an entity from the Company or any of its subsidiaries, and guarantees given by the Company or any of its subsidiaries in respect of facilities granted to an entity in aggregate exceeds 8%.

The information disclosed in relation to the advance and guarantees to an investee company, Chengdu Western Software Park Company Limited (“Western Software Park”), is as follows:

### (a) Advance

<b>Date</b>	<b>Nature</b>	<b>Amount of loan RMB'000</b>	<b>Outstanding balance due as at 30 September 2004 RMB'000</b>
2 April 2004	Loan to Western Software Park	<u>44,012</u>	<u>39,671</u>

The loan made by the Group to Western Software Park is unsecured, interest calculated at the prevailing bank rate for working capital borrowings and repayable on 31 December 2004. 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.

(b) **Guarantees**

<b>Date</b>	<b>Nature</b>	<b>Amount of guarantee RMB'000</b>	<b>Outstanding of banking facilities as at 30 September 2004 RMB'000</b>
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 has not obtained any security in respect of the above provision of corporate guarantees for Western Software Park.

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

As at 30 September 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**

(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 <sup>(1)</sup>	Nil	39,000,000 <sup>(1),(2)</sup>	40,000,000	5.92%
Mr. Chen Bao Yu	28,000 <sup>(1)</sup>	Nil	Nil	28,000	0.00%

**Name of Supervisors**

Mr. Xu Bo	78,000 <sup>(1)</sup>	Nil	Nil	78,000	0.01%
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*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")<sup>(1)</sup>**

Name of Directors	Equity interests			Total	Percentage of equity interest in the registered share capital
	Personal interests	Family interests	Corporate interests		
Mr. Chen Wei Xin	RMB300,000	—	—	RMB300,000	3.00%

*NOTES:*

1. As at 30 September 2004, the registered capital of Huaxi Information was RMB10,000,000, where the Company held 95% equity interest thereof.

**Equity interest in Chengdu Top Huaxi Electronics Technology Co., Ltd. (“Huaxi Electronics”)<sup>(1)</sup>**

Name of Directors	Personal interests	Family interests	Corporate interests	Total	Percentage of equity interest in the registered share capital
Mr. Lian Chun Hua	RMB300,000	—	—	RMB300,000	3.00%

*NOTES:*

- As at 30 September 2004, the registered share capital of Huaxi Electronics was RMB10,000,000 where the Company held 95% equity interest thereof.

**Equity interest in Shaanxi Top Sci-Tech Co., Ltd. (“Shaanxi Top”)<sup>(1)</sup>**

Name of Directors	Personal interests	Family interests	Corporate interests	Total	Percentage of equity interest in the registered share capital
Mr. Long Ji Gang	RMB200,000	—	—	RMB200,000	4.00%

*NOTES:*

- As at 30 September 2004, the registered share capital of Shaanxi Top was RMB5,000,000 where the Company held 96% equity interest thereof.

**Long positions in underlying shares and debentures**

None of Directors, Supervisors, chief executives and their respective associates had any long positions in the underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 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 Listings Rules.

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

During the nine months ended 30 September 2004, 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 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 any types of the Company's securities.

## **SHARE OPTION SCHEME**

Up to 30 September 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 in notified to the Directors of the Company, as at 30 September 2004, shareholders (other than the Directors, Supervisors and chief executives 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 positions**

<b>Name of Shareholder</b>	<b>Number of Ordinary shares of RMB0.10 each</b>	<b>Percentage of issued share capital</b>
Top Development Sichuan Topsoft Investment Company Limited (“Topsoft Investment”)	344,500,000 <sup>(1),(2)</sup>	50.95%
Labour Association of Top Development	286,000,000 <sup>(1),(3)</sup>	42.30%
	344,500,000 <sup>(1),(4)</sup>	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.

Saved as disclosed above, as at 30 September 2004, the Directors of the Company were not aware of any other person (other than the Directors, Supervisors or chief executives 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.

#### **PLEDGING OF INTERESTS IN THE COMPANY BY CONTROLLING SHAREHOLDER**

The controlling shareholder of the Company, Topsoft Investment, notified the Company that its 273,000,000 Domestic Shares in the Company, representing its entire 40.38% equity interest in the Company, has been entirely pledged to Ba Bao Jie Sub-branch, Chengdu Branch, China Everbright Bank ("Everbright Bank"). The pledge of the aforesaid shares by Topsoft Investment to Everbright Bank was to maintain loans facility to the extent of RMB200,000,000 and bills discounting facility to the extent of RMB100,000,000 granted by Everbright Bank to Topsoft Investment.

#### **PRELIMINARY REPORT OF INDEPENDENT SUB-COMMITTEE REGARDING CERTAIN FINANCIAL ASSISTANCE TRANSACTIONS**

On 22 April 2004, the Company established an independent sub-committee of the Board comprising all the independent non-executive directors of the Company for the purposes of carrying out an internal review regarding provision of certain financial assistance transactions to entities (including connected persons) by the Group. The preliminary report of independent sub-committee regarding certain financial assistance transactions was completed. Please refer to the announcement made by the Company on 8 November 2004 for details.

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.

#### **RESOLUTION PASSED TO RE-AUDIT THE FINANCIAL STATEMENTS OF YEAR 2003**

In view of certain financial assistance transactions made by the Group to entities (including connected persons) were not being reflected and audited in the Company's annual report of year 2003, the Board therefore withdrew the proposed resolutions regarding the approval of the auditors' report and financial statements of year 2003 in the annual general meeting held 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. Please refer to the announcement made by the Company on 30 June 2004 for details.

## **CHANGES OF DIRECTORS, COMPLIANCE OFFICER AND AUTHORIZED REPRESENTATIVE**

In the annual general meeting held on 28 June 2004, resolutions were passed for the Company to appoint Mr. Long Ji Gang, Mr. Chen Wei Xin and Mr. Chen Bao Yu as executive Directors and Mr. Xu Jian Ping as non-executive Director. The re-appointment of the executive Director, Mr. Li Zheng Bin, and the independent non-executive Directors, Professor Yang Ji Ke, Professor Wang Ming Dong and Ms. Xiao Bin were all confirmed.

Nevertheless, upon the expiry of the annual general meeting held on 28 June 2004, Ms. Ma Jun, Mr. Fan Jing Ru, Mr. Chen Zhong Hao and Mr. Wang Zu Long retired as executive Directors, and Mr. Huang Wei Bin retired as non-executive Director in accordance with the Articles of Association of the Company. Accordingly, Mr. Fan Jung Ru had no longer been the Compliance Officer and one of the Authorized Representatives of the Company.

The newly appointed executive Director, Mr. Chen Wei Xin, took up the positions of Compliance Officer and Authorized Representative originally held by Mr. Fan Jing Ru with immediate effect.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

During the nine months ended 30 September 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 Rule 5.28 to Rule 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 Wang 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 nine months ended 30 September 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 Company has complied with Rule 5.34 to Rule 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the nine months ended 30 September 2004.

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

11 November 2004

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its publication.*

\* *For identification purpose only*