



DATASYS TECHNOLOGY HOLDINGS LIMITED

迪 斯 數 碼 科 技 集 團 有 限 公 司 *

(incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY RESULT REPORT

For the nine months ended 30th September 2002

* *For identification only*

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This report, for which the directors of Datasys Technology Holdings Limited 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 Datasys Technology Holdings Limited. The directors of Datasys Technology Holdings Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group achieved total revenue of approximately HK\$77.4 million for the nine months ended 30th September 2002, representing an increase of approximately 10% over the corresponding period of 2001.

Profit attributable to shareholders for the same period increased to HK\$10.3 million as compared with profit attributable to shareholders of approximately HK\$7.8 million for the corresponding period of 2001, representing an increase of 32% over the corresponding period of 2001.

Earnings per share for the same period increased to HK cents of 1.3 as compared with profit per share of HK cents 1.0 for the corresponding period of 2001.

The directors of the Company recommended the payment of a special dividend of HK\$8,713,500 to the shareholders of the Company whose names appeared on the register of members of the Company on 31st December 2001.

CONSOLIDATED RESULTS (UNAUDITED)

The board of directors (the “Board”) of Datasys Technology Holdings Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months and three months ended 30th June 2002 together with the unaudited comparative figures for the corresponding periods of 2001 as follows:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Turnover	4	77,389	70,095	21,272	25,990
Cost of sales		(49,803)	(44,251)	(12,464)	(15,598)
Gross profit		27,586	25,844	8,808	10,392
Other revenue	4	5,607	664	4,518	382
Selling and distribution costs		(10,234)	(8,427)	(6,815)	(3,743)
Administrative expenses		(9,398)	(7,630)	(2,284)	(1,707)
Profit from operating activities		13,561	10,451	4,227	5,324
Finance costs		(1,237)	(983)	(476)	(632)
Profit before tax		12,324	9,468	3,751	4,692
Tax	5	(1,256)	(1,085)	(299)	(577)
Profit before minority interest		11,068	8,383	3,452	4,115
Minority interest		(746)	(575)	(221)	(290)
Profit attributable to shareholders		<u>10,322</u>	<u>7,808</u>	<u>3,231</u>	<u>3,825</u>
Dividends	6	<u>8,714</u>	—	N/A	N/A
Earnings per share - basic (cents)	7	<u>1.3</u>	<u>1.0</u>	<u>0.4</u>	<u>0.5</u>

NOTES ON THE UNAUDITED INTERIM REPORT:

1. Group reorganisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 5th September 2000 under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a group reorganization (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16th August 2002, the Company became the holding company of the companies now comprising the Group on 23rd October 2000. Further details of the Group Reorganisation are set out in the Company's prospectus (the "Prospectus") dated 31st July 2002.

2. Basis of presentation

The Group Reorganisation has been accounted for by the Company using merger accounting method in accordance with the Statement of Standard Accounting Practice ("SSAP" No.2.127 "Accounting for Group Reconstruction". The comparative figures for the three months and nine months ended 30th September 2002 included the results of all companies involved in the Group Reorganisation which were assumed to have been in existence throughout the said periods or since their respective dates of incorporation/acquisition, where this is a shorter period.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

3. Principal accounting policies

The unaudited consolidated financial statements have been prepared in accordance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The GEM Listing Rules.

The accounting policies and basis of preparation adopted for the preparation of the interim financial report are consistent with those adopted by the Group for the year ended 31st December 2001.

The condensed financial statements are unaudited but have been reviewed by the Audit Committee (as defined below).

4. Turnover and profit attributable to shareholders

a. *Turnover and revenue*

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and services rendered, excluding value added tax and business tax. All significant intra-group transactions have been eliminated on combination. An analysis of the Group's turnover and revenue with the comparative figures for the corresponding period in 2001 are as follows:

	Nine months ended 30th September		Three months ended 30th September	
	2002 <i>(unaudited)</i> HK\$'000	2001 <i>(unaudited)</i> HK\$'000	2002 <i>(unaudited)</i> HK\$'000	2001 <i>(unaudited)</i> HK\$'000
Turnover				
System development and integration	63,749	61,975	17,023	21,931
Professional IT contract service	13,640	8,121	4,323	4,058
Total turnover	77,389	70,096	21,346	25,989
Other revenue	5,607	664	4,518	382
Total revenue	82,996	70,760	25,864	26,371

b. *Business segment*

An analysis of the Group's turnover and profit attributable to shareholders by business segment is as follows:

	Turnover For the nine months ended 30th September,		Profit attributable to shareholders For the nine months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
System development and integration	63,749	61,975	21,403	22,094
Professional IT contract service	13,640	8,121	6,183	3,750
	77,389	70,096	27,586	25,844
Unallocated income and expenses			(17,264)	(18,036)
			10,322	7,808

During the Relevant Periods, the Group's turnover was principally generated in the PRC. Accordingly, an analysis of the Group's turnover by geographical segments is not prepared in this report.

5. Tax

The Group did not derive any assessable profits in Hong Kong and thus no provision for Hong Kong profits tax has been provided under review. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the respective companies of the Group operate, based on existing legislation, interpretations and practices in respect thereof during the Relevant Periods.

Datasy's DIS was subject to corporate income tax at a rate of 7.5% on its taxable income from 1998 to 2000 and at 15% thereafter pursuant to an approval granted by the local tax authority on 21st November 2000. In addition, Datasy's DIS is fully exempted from local income tax.

DIS Aipu was fully exempted from corporate income tax for the period from 1st July 1998 to 31st December 2000 and, at 7.5% from 2001 to 2003 and 15% on its taxable income thereafter. In addition, DIS Aipu is fully exempted from local income tax.

There were no unprovided deferred tax in respect of the period under review (2001: Nil).

6. Dividends

A special dividend ("Special Dividend") of approximately HK\$8,713,500 was declared and approved by the board of directors and shareholders of the Company on 24th July 2002 for the benefits of the shareholders whose names appeared on the register of members of the Company on 31st December 2001. Pursuant to written instructions given by Ortho-Deal Corporate Services Ltd., Shinning Path Ltd. and Glotek Investment Ltd., all being the shareholders of the Company, the Company was instructed to pay all their entitlements to the Special Dividend to Jade Key Company Inc.

7. Earnings per share

The basic earnings per share for the three months and nine months ended 30th June 2002 are calculated based on the unaudited profits attributable to shareholders of the Company for the three months and nine months ended 30th September 2002 of approximately HK\$3,231,000 and HK\$10,322,000, respectively (2001: approximately HK\$3,825,000 and HK\$7,808,000, respectively) and 800,000,000 shares deemed to have been issued during the period under review on the assumption that the Group Reorganisation and the capitalization issue and placing of 797,857,143 shares of the Company had been effective since 1st January 2001.

No diluted earnings per share have been presented for the three months and nine months ended 30th September 2002 and 2001 as no diluting events existed during the period under review.

MOVEMENT ON RESERVES

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Reserve funds <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2001	200	37,188	7,818	1,541	7,236	53,983
Profit for the nine months ended 30th September 2001	—	—	7,808	—	—	7,808
At 30th September 2001	<u>200</u>	<u>37,188</u>	<u>15,626</u>	<u>1,541</u>	<u>7,236</u>	<u>61,791</u>
As at 1st January 2002	200	37,188	27,623	1,852	7,236	74,099
Issue of shares	70,800	6,480	—	—	—	77,280
Profit for the nine months ended 30th September 2002	—	—	10,322	—	—	10,322
Special dividend	—	—	(8,714)	—	—	(8,714)
As at 30th September 2002	<u>80,000</u>	<u>43,668</u>	<u>29,231</u>	<u>1,852</u>	<u>7,236</u>	<u>152,987</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Group for the three months and nine months ended 30th September 2002 decreased by approximately 18% to approximately HK\$21 million and increased by approximately 10% to approximately HK\$77 million, respectively as compared to the corresponding period in 2001. The growth in turnover during the Review Period was mainly attributable to the significant increase in revenue by approximately 68% from the provision of IT contract services from approximately HK\$8.1 million to HK\$13.6 million. Gross profit (turnover less cost of sales) for the nine months ended 30th September 2002 remains at approximately 36% as compared with the same period in 2001. Approximately 82% of the Group's gross profit was generated from its system development and integration.

There is a seasonal factor affecting the sales of the Group. As the majority of the Group's clients are state owned enterprises, according to the Directors' experience, the implementation of their business plans were often postponed to the second half of the year due to the timing of the allocation of resources by the central government. Therefore, the Group will normally secure contracts in the second half of the year and the projects will be implemented at the end of the year or the coming year.

During the review period, significant resources were devoted to the listing process. After the listing of the Company's shares, the Group focused on developing further its business and expects to achieve a significant improvement in performance as a result of completion of the reform of Electric Power Station and the high seasonal impact.

Business review

Research and development of products

The research and development department of the group has successfully developed a new version digital monitoring system (“DMS”) specialized for the CATV system and the Company was granted the certificate from the National Administration Bureau of Film and Television to distribute the DMS on October 2002.

The Group is now in cooperation with Microsoft (China) Limited to develop the application software to be used under Microsoft’s platform.

Market development

The Group has signed a strategic alliance agreement with Microsoft (China) Limited to develop the application software based on Microsoft’s platform. Some of our products were summarized as follows:

- Power Plant ERP
- Power Distribution MIS
- Enterprise Application Integration
- E-Government solution

The Group has successfully secured a contract with the Television and Broadcasting Bureau of Liao Yuan City of Jilin Province for the DMS.

Prospects

Although there has been a moderate increase in the turnover of the Company in the first three quarters of 2002 as compared with the corresponding period in last year. The Company will perfect the sales and management system and increase the efforts on research and development and speed up the launching of new products to the market.

Based on current sales and marketing effort, the group have many business chances in the DMS business in the coming year.

COMPARISON OF THE BUSINESS PLANS AND ACTUAL PROGRESS

**From 1st July 2002 to
31st December 2002**

**From 1st July 2002 to
30th September 2002**

Development of new MIS application software and to provide sophisticated IT solutions for the electric power industry

Expected project progress

To further enhance the power trading system as well as the power dispatching automation system.

To further modify the King Guard Digital Realtime Monitoring System with the help of The Chinese People's Public Security University.

Actual project progress

Form strategic alliance with Microsoft (China) Limited to jointly develop the software for the electric power industry.

A new version of Digital Realtime Monitoring System was developed and the Group has granted the certificate from the National Administration Bureau of Film and Television to distribute the Products since October 2002.

Expansion of its marketing department at the head office in Beijing and launch of advertising activities

Expected project progress

Further expansion of the marketing department in the head office in Beijing

Actual project progress

The Group has set up a marketing department in 2002 and has launched some advertisement in the newspaper to build up the public image in the IT industry.

Establishment of strategic business alliance or entry into agreements with government authorities and/or organizations responsible for the governance or overall planning of industries in which the Group operates

Expected project progress

To co-operate/liaise with some major suppliers to jointly develop and promote the Group's product in the electric power and government industry.

Actual project progress

The Group has signed a strategic alliance agreement with Microsoft (China) Limited to develop the Group's software under Microsoft's operating platform.

SUBSEQUENT EVENTS

Save as aforesaid, no other material significant events took place subsequent to the review period.

CAPITAL STRUCTURE

There have been no changes in the capital structure since the Company listed its shares on GEM on 16th August 2002.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL

As at 30th September 2002, the interests of the Directors, chief executives of the Company and their respective associates in the Company and its associated corporations as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") of the Company or which required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Personal	Family	Corporate Shares	Other	Total shares
Mr. Ding Wei Ming	—	—	351,680,000	—	351,680,000
Mr. Shang Gang	—	—	351,680,000	—	351,680,000
			(Note)		(Note)

Note: These shares, representing approximately 43.96% of the issued share capital of the Company, are held by Jade Key Company Inc., a company owned by Mr. Ding Wei Ming and Mr. Shang Gang in equal shares. Mr. Ding Wei Ming and Mr. Shang Gang is deemed (by virtue of the SDI Ordinance) to be interested in these shares.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

No options have been granted by the Company to any Directors/employees under the Share Option Scheme as to date of this report.

SUBSTANTIAL SHAREHOLDERS

As at date of this report, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Percentage of holding
Jade Key Inc. (<i>note i</i>)	351,680,000	43.96%
Mr. Ding Wei Ming (<i>note i</i>)	351,680,000	43.96%
Mr. Shang Gang (<i>note i</i>)	351,680,000	43.96%
Shinning Path Limited (<i>note ii</i>)	175,840,000	21.98%
Mr. Zhang Jian (<i>note ii</i>)	175,840,000	21.98%

Notes:

- i. Jade Key Company Inc., is beneficially owned by Mr. Ding Wei Ming and Mr. Shang Gang, directors of the Company, in equal shares.
- ii. Shinning Path Limited, is beneficially owned by Mr. Zhang Jian, an independent third party not connected with the directors, chief executives, substantial shareholders (other than Shinning Path Limited) or management shareholders of any member of the Group.

SHARE OPTION SCHEMES

Pursuant to the pre-IPO share option scheme adopted by the Company on 29th July 2002, a share option scheme was approved and the Directors may, at their discretion, invite any employee, officer, agent, consultant or representative of the Group, including any executive or non-executive director of the Group to subscribe for shares of the Company at a price to be determined by the Board. The subscription price will be at least the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company must not in aggregate more than 10% of the shares in issue as at the date of the listing of the shares on the GEM.

As at date of this report, no options have been granted by the Company to any Directors/employees under the Share Option Scheme.

CONNECTED PARTY TRANSACTIONS

No connected transactions with its connected persons as defined in the GEM Listing Rules during the review period.

COMPETITION AND CONFLICT OF INTERESTS

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that, none of them had any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

SPONSOR'S INTEREST

As confirmed by the Company's sponsor, CSC Asia Limited (the "Sponsor" or CSC), as at date of this report, neither the Sponsors nor its directors, employees and associates (as referred in Note 3 to rule 6.35 of the GEM Listing Rules) have had any interest in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company, or any members of the Group.

By a sponsorship agreement entered into between the Company and CSC pursuant to which CSC has been appointed as the sponsor of the Company for the remainder of the year ending 31st December 2002 and for the period of two years commencing from 1st January 2003 and the Company shall pay an agreed fee to CSC for its provision of services.

AUDIT COMMITTEE

The Company established an audit committee on 12th July 2002 (the "Committee") with written terms of references in compliance with rules 5.23 to 5.25 of the GEM Listing Rules and with reference to guidance published by the Hong Kong Society of Accountants.

The Committee consists of two independent non-executive directors, namely, Mr. LI Hong and Mr. XIA Qing, and the executive director, namely, Mr. DING Wei Ming. Mr. Li is the chairman of the Committee. The Committee has reviewed the draft of this Report and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules since the date of listing of the Company's shares in GEM.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on GEM on 16th August 2002. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

On behalf of the board
Datsys Technology Holdings Limited
DING Wei Ming, William
Chairman and executive Director

Hong Kong, 13th November 2002