



Datasys Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

2002/03 Interim Report



Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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HIGHLIGHTS

The Group achieved total revenue of approximately HK\$21 million for the six months ended 30th June 2003, representing a decrease of 62% over the corresponding period of 2002.

Loss attributable to shareholders for the same period increased to HK\$8 million as compared with profit attributable to shareholders of approximately HK\$7.1 million for the corresponding period of 2002, representing a decrease of 213% over the corresponding period of 2002.

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2003.

CONSOLIDATED RESULTS

The board of directors (the "Board") of Datasys Technology Holdings 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 2003 together with the unaudited comparative figures for the corresponding periods of 2002 as follows:

	Notes	Six months ended 30th June		Three months ended 30th June	
		2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)
Turnover	2	21,201	56,118	15,492	40,956
Cost of sales		(17,036)	(37,339)	(12,730)	(27,252)
Gross profit		4,165	18,778	2,762	13,704
Other revenue	2	2,008	1,089	1,646	866
Selling and distribution costs		(5,507)	(3,419)	(3,333)	(1,762)
Administrative expenses		(7,324)	(7,115)	(3,521)	(2,734)
Profit/(loss) from operating activities		(6,658)	9,333	(2,446)	10,074
Finance costs		(1,893)	(761)	(1,099)	(357)
Profit/(loss) before tax		(8,551)	8,572	(3,545)	9,717
Tax	4	-	(956)	-	(1,194)
Profit/(loss) before minority interest		(8,551)	7,615	(3,545)	8,523
Minority interest		559	(524)	217	(601)
Profit/(loss) attributable to shareholders		(7,992)	7,091	(3,328)	7,922
(Loss)/earnings per share – basic (cents)	6	(1.00)	0.89	(0.42)	0.99

COMBINED BALANCE SHEET

	Notes	At 30th June 2003 HK\$'000 (unaudited)	At 31st December 2002 HK\$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets		5,858	4,557
Software development costs		3,285	3,425
		9,143	7,982
CURRENT ASSETS			
Due from directors		5,961	6,008
Due from a related company		3,741	3,741
Inventories		24,733	10,136
Trade receivables	7	61,262	73,336
Prepayments, deposits and other receivables		45,361	45,626
Pledged bank deposits		66,870	65,131
Cash and cash equivalents		14,198	10,858
		222,126	214,836
CURRENT LIABILITIES			
Trade payables	8	2,434	3,018
Notes payable		8,043	–
Other payables and accruals		3,624	24,169
Deferred revenue		4,490	2,657
Tax payable		3,630	3,528
Bank loans	9	86,449	58,411
		108,670	91,783
NET CURRENT ASSETS		113,456	123,053
TOTAL ASSETS LESS CURRENT LIABILITIES		122,599	131,035
MINORITY INTERESTS		(1,960)	(2,519)
		120,639	128,516
REPRESENTED BY:			
Issued capital		80,000	80,000
Combined shareholders' equity		40,639	48,516
		120,639	128,516

CONDENSED COMBINED CASH FLOW STATEMENT

	For the six months ended 30th June	
	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,723	875
NET CASH OUTFLOWS USED IN INVESTING ACTIVITIES	(1,186)	(2,912)
NET CASH INFLOW FROM FINANCING ACTIVITIES	2,803	14,408
INCREASE IN CASH AND CASH EQUIVALENTS	3,340	12,371
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	10,858	4,632
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,198	17,003
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	14,198	17,003

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Retained profits	Reserve funds	Capital reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January 2002	200	37,188	27,623	1,852	7,236	74,099
Issue of shares	14	14,394	-	-	-	14,408
Profit for the six months ended 30th June 2002	-	-	7,091	-	-	7,091
At 30th June 2002	214	51,582	34,714	1,852	7,236	95,598
As at 1st January 2003	80,000	19,968	17,801	3,626	7,236	128,631
Loss for the six months ended 30th June 2003	-	-	(7,992)	-	-	(7,992)
As at 30th June 2003	80,000	19,968	9,809	3,626	7,236	120,639



Notes on the unaudited interim report:

1. Principal accounting policies and basis of presentation

The unaudited interim financial statements of the Group have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations and SSAP No.2125 “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 for the six months period ended 30th June 2003 (the “Relevant Period”) are consistent with those adopted by the Group for the year ended 31st December 2002.

The condensed financial statements are unaudited but have been reviewed by the audit committee (the “Committee”).

2. 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 for the six months and three months ended 30th June 2003 with the comparative figures for the corresponding period in 2002 are as follows:

	Six months ended 30th June		Three months ended 30th June	
	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000
Turnover				
System development and integration	18,430	46,726	13,550	39,440
Professional IT contract service	2,771	9,392	1,942	1,516
Total turnover	21,201	56,118	15,492	40,956
Other revenue	2,008	1,089	1,646	866
Total revenue	23,209	57,207	17,138	41,822

b. *Business segment*

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


	Turnover		Profit attributable to shareholders	
	For the six months ended 30th June,		For the six months ended 30th June,	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
System development and integration	18,430	46,726	3,386	15,299
Professional IT contract service	2,771	9,392	970	3,928
	21,201	56,118	4,356	19,227
Unallocated income and expenses			(12,348)	(11,612)
			(7,992)	7,615

During the Relevant Period, 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.

3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	Six months ended 30th June		Three months ended 30th June	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
	Cost of inventories sold and services provided	17,036	37,339	12,730
Depreciation	1,207	1,104	652	552



4. Tax

The Group did not derive any assessable profits in Hong Kong and thus no provision for Hong Kong profit tax has been provided for the Relevant Period. Taxes on profit 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 Period.

Datasys 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, Datasys 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 Relevant Period (2002: Nil).

5. Dividends

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30th June 2003 (2002: Nil).

6. Loss/Earnings per share

The basic loss per share for the three months and six months ended 30th June 2003 are calculated based on the unaudited combined loss attributable to shareholders of the Group for the three months and six months ended 30th June 2003 of approximately HK\$3,328,000 and HK\$7,992,000, respectively (2002: approximately HK\$7,922,000 and HK\$7,091,000, 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 subsequent capitalization issue and placing of 797,857,143 shares of the Company had been effective since 1st January 2002.

No diluted earnings per share have been presented for the three months and six months ended 30th June 2003 and 2002 as no diluting events existed during the Relevant Period.

7. Trade receivables

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 7 to 90 days. Overdue balances are reviewed regularly by senior management. Provision for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

	As at 30th June 2003 (unaudited) HK\$'000	As at 31st December 2002 (audited) HK\$'000
Outstanding balances with ageing:		
0 to 30 days	4,546	26,402
31 to 60 days	2,622	10,352
61 to 90 days	2,475	6,428
91 to 180 days	7,837	11,525
181 to 365 days	29,356	178
Between 1 to 2 years	18,548	21,237
Over 2 years	2,182	3,518
Less: Provision for doubtful debts	(6,304)	(6,304)
	61,262	73,336

8. Trade payables

	As at 30th June 2003 (unaudited) HK\$'000	As at 31st December 2002 (audited) HK\$'000
Outstanding balances with ageing:		
Within 180 days	2,434	3,018
Between 181 days to 1 year	–	–
	2,434	3,018

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the Relevant Period, the Group faced an unexpected negative business environment resulting from outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the PRC especially in Beijing which is the core business location of the Group. Contracts under negotiation were nearly all postponed due to the reasons that the management of the customers rejected business meetings in order to avoid any transmission of SARS.

However, the Group believed that the negative impact from SARS was only temporary in nature and the business environment would soon recover. Following the removal of Beijing from the list of SARS-infected areas and the travel advisory against Beijing by the World Health Organisation on 24 June 2003, the Group started to make marketing efforts to resume the negotiations with the customers. Since most of the customers were state-owned electric power enterprises which should implement their investment according to the timing of the allocation of resources by the central government, according to the past experience, the Directors expect that all projects postponed by SARS will commence in the second half of 2003.

Financial Review

The turnover of the Group for the three months and six months ended 30th June 2003 decreased by approximately 62% and 62% to approximately HK\$15.5 million and HK\$21.2 million respectively as compared to the corresponding period in 2002. The significant decrease in turnover during the Review Period was mainly due to delay of the completion of the reform of electric power station sector in the PRC until early 2003 and the adverse impact resulting from the outbreak of SARS.

There is a seasonal factor affecting the sales of the Group. As the majority of the Group’s clients are stat-owned enterprises, according to the Directors’ experience, the implementation of their business plans were often postponed to the second half of the year.

During the Relevant Period, the Group focused on developing its business in the electric power station 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.



ORDER BOOK AND PROSPECTS OF NEW BUSINESS

As at date of this report, the Group had contracts on hand for sales amounting to approximately HK\$15 million (2002: HK\$25 million) which would be booked as revenue upon delivery and implementation.

Prospects

Although there has been a sharp decrease in the turnover of the Group in the Relevant Period as compared with the corresponding period in last year, the Group 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 has successfully secured contracts of approximately RMB7 million (approximately HK\$6.1 million) in July 2003.

COMPARISON OF THE BUSINESS PLANS AND ACTUAL PROGRESS

Expected progress

From 1 January 2003 to 30 June 2003

Actual progress

From 1 January 2003 to 30 June 2003

Revenue

- | | |
|--|---|
| <ul style="list-style-type: none">- Continue to generate steady revenue from Power MIS projects, Power Trading System, MIS for Government Administration and standalone IT solutions- Continue to generate income from standardized package application software such as internet-based Office Automation System, Power Plant Application Software, Power Trading System and internet-based Public Security System- Continue to generate steady revenue from the municipal public security system- Continue to work closely with the existing suppliers for the purpose of integration of their products to the Group's application software products, and localization of their products | <ul style="list-style-type: none">- The Group has generate steady revenue from these software- The Group has generate steady revenue from these software- The Group has generate steady revenue from these software- The Group has worked closely with the suppliers such as IBM and Microsoft for the integration of their products to the Group's products |
|--|---|

Expected progress
From 1 January 2003 to 30 June 2003

Actual progress
From 1 January 2003 to 30 June 2003

Marketing Strategy

- | | |
|--|---|
| <ul style="list-style-type: none">- Increase the coverage of the Group's nationwide network via the expansion of the Group's existing branches or representative offices and the establishment of branches or representative offices in Xian and Nanchang- Continue to publish professional articles about IT applications in various industrial newspapers and magazines- Participate in exhibitions and seminars for the electric power industry- Participate in nation-wide seminars for the public security sector- Start to promote the Group's service network to the target customers | <ul style="list-style-type: none">- Instead of opening branch or representative offices in Xian and Nanchang, the Group has opened a Hangzhou branch and has formed a joint venture in Wuhan in early 2003- Issue two customer forums in the "China Computer Users" Magazine- On 11 January 2003, our Chairman Mr. Ding Participated as a speaker in "The 7th China Capital Market Forum"- On January 2003, the Company coordinate a "Electric Power Station Asset Maintenance Seminar" in Hangzhou- Due to the outbreak of SARS, the Group did not participate in any seminars during the period- The Group has signed some service network contracts with CLP's subsidiary |
|--|---|

Research and development

- | | |
|--|---|
| <ul style="list-style-type: none">- Continue to seek cooperation with universities or research institutions reputable in technology research in the PRC- Start to develop the Power Trading System to cover the level between end-users and distributors- Enhance the Public Security System in the area of internal control and system monitoring | <ul style="list-style-type: none">- The Group has continue cooperation with the Tsinghua University- The Group has started to develop the Power Trading System to cover the level between end-users and distributors. This system has been successfully applied in Chongqing Electric Power Station project in 2003- The software team of the Group has enhanced the Public Security System |
|--|---|



Expected progress

From 1 January 2003 to 30 June 2003

- Continue to improve on the Monitoring System platform and develop the special system to fit the requirements such as the pipeline and traffic control
- Continue to conduct feasibility study and research on Power Dispatching Automation System and enhancement work of the Trading management function of the Power Trading System for use by the power industry
- Use Enterprise Application Integration model to develop other application model

Actual progress

From 1 January 2003 to 30 June 2003

- The 2nd phase Monitoring System has been further enhanced to fit the user requirements
- The Group has started to research and develop the Power Dispatching Automation System and to further enhance the management function of the Power Trading System
- The Group has started to use Enterprise Application Integration model to develop other application model

CHARGES ON GROUP ASSETS

As at 30th June 2003, the Group had bank borrowings of approximately HK\$58.4 million which were secured by pledged bank deposits of approximately HK\$60 million.

Save as disclosed above, the Group did not have any significant charges on assets as at 30th June 2003.

GEARING RATIO

As at 30th June 2003, the Group had cash and bank balances and deposits of around HK\$96.6 million in its current assets and have short term bank loans of approximately HK\$86.4 million. The gearing ratio (current liabilities over total assets) increased slightly from 41% as at 31st December 2002 to 47% as at 30th June 2003.

FOREIGN EXCHANGE EXPOSURE

During the Relevant Period, the Group earned revenue and incurred costs and expenses mainly in Hong Kong dollars and Renminbi. As the exchange rates of such currencies have been stable, no hedging or other alternatives have been implemented.

CONTINGENT LIABILITIES

As at 30th June 2003, the Group had no significant contingent liabilities.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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.

FUTURE PLANS FOR INVESTMENTS OR CAPITAL ASSETS AND SOURCES OF FUNDING

Except for those plans as set out in the prospectus of the Company dated 31st July 2002, there have been no plans for significant investment, capital assets and sources of funding.


EMPLOYEE INFORMATION

As at 30th June 2003, the Group had 135 employees. Most of them were based in Mainland China. The Group continues to provide remuneration package to employees according to market practices and past performance. In addition to basic remuneration, the Group also provides other benefits such as medical scheme, share option scheme and staff training programs to employees. There has been no major change on staff remuneration policies during the Relevant Period.

USE OF PROCEEDS

The proceeds from the Company's issue of new shares by way of placing were approximately HK\$48.2 million, and were utilized in the following areas:

	Proposed total fundings required from net proceeds <i>HK\$million</i>	Proposed fundings required during the period <i>HK\$million</i>	Actual fundings spent during the period <i>HK\$million</i>
Research and development	12	2.58	1.5
Sales and marketing	4	0.85	0.8
Expansion of existing branches or offices	4.15	1.05	0.8
Expansion of new branches or offices	6.28	2.29	1
Strategic investments	12	3	1
Additional working capital	5	1	2
Others	4.77	1.5	1.5
Total	48.20	12.27	8.6



The decrease of the actual funding spent during the Relevant Period was mainly due to the delay in implementation of research and development of new products and strategic investments because of SARS. The remaining proceeds of approximately HK\$38 million were placed with licensed banks and financial institutions in Hong Kong and the PRC.

CORPORATE GOVERNANCE

The Company has complied with the broad practices and procedures as set out in Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") during the period from its listing date to 30th June 2003.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2003, the interests of the Directors in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total shares
Mr. Ding Wei Ming	–	–	351,680,000	–	351,680,000
Mr. Shang Gang	–	–	351,680,000 (Note)	–	351,680,000 (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 are deemed to be interested in these shares.

Save as disclosed above, as at 30th June 2003, none of the Directors had any interests or short positions in any shares, underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were

required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

No options have been granted by the Company to any Directors or employees under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS WHOSE INTERESTS ARE RECORDED UNDER SECTION 336 OF THE SFO

As at 30 June 2003, the following persons had an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of other members of the Group.

Name	Number of shares held	Percentage of holding
Jade Key Inc. (Note i)	351,680,000	43.96%
Mr. Ding Wei Ming (Note i)	351,680,000	43.96%
Mr. Shang Gang (Note i)	351,680,000	43.96%
Shinning Path Limited (Note ii)	175,840,000	21.98%
Mr. Zhang Jian (Note ii)	175,840,000	21.98%
CLP IT Solutions Limited (Note iii)	41,840,000	5.23%
CLP Enterprises Limited (Note iii)	41,840,000	5.23%
CLP Holdings Limited (Note iii)	41,840,000	5.23%

Save as disclosed above, as at 30th June 2003, no persons had any interests or short positions in any shares, underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings or other members of the Group.



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.
- iii. CLP IT Solutions Limited is a wholly-owned subsidiary of CLP Enterprises Limited and CLP Enterprises Limited is a wholly-owned subsidiary of CLP Holdings Limited, a company listed on the Main Board of the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to the 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 be 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 announcement, no options have been granted by the Company to any Directors/employees under the share option scheme.

CONNECTED PARTY TRANSACTIONS

No connected transaction with its connected persons as defined in the GEM Listing Rules was conducted by the Group during the Relevant 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 INTERESTS

As confirmed by the Company's sponsor, CSC Asia Ltd. (the "Sponsor"), as at 30th June 2003, neither the Sponsor 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.

Pursuant to a sponsorship agreement entered into between the Company and the Sponsor, the Sponsor has been appointed as sponsor of the Company until 31 December 2004 and the Company shall pay an agreed fee to the Sponsor for its provision of services.

AUDIT COMMITTEE

The Company established the Committee on 12 July 2002 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 an 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.

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
Datasy Technology Holdings Limited
DING Wei Ming, William
Chairman

Beijing, the PRC, 13th August 2003