



Datasys Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

2003 Third Quarterly 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 Exchange. Listed companies are not generally required to issue paid announcements 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.

HIGHLIGHTS

The Group achieved total revenue of approximately HK\$23.8 million for the nine months ended 30th September 2003, representing a decrease of approximately 69% over the corresponding period in 2002.

Loss attributable to shareholders for the same period amounted to approximately HK\$12.6 million as compared with profit attributable to shareholders of approximately HK\$10 million for the corresponding period in 2002.

The Directors do not recommend the payment of dividend for the nine months ended 30th September 2003.

CONSOLIDATED RESULTS

The board (the "Board" of directors (the "Directors") 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 nine months and three months ended 30th September 2003 together with the unaudited comparative figures for the corresponding periods of 2002 as follows:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Turnover	2	23,817	77,389	2,616	21,272
Cost of sales		(18,430)	(49,803)	(1,394)	(12,464)
Gross profit		5,387	27,586	1,222	8,808
Other revenue	2	2,019	5,607	11	4,518
Selling and distribution costs		(8,670)	(10,234)	(3,163)	(6,815)
Administrative expenses		(8,522)	(9,398)	(1,198)	(2,284)
Profit/(loss) from operating activities		(9,786)	13,561	(3,128)	4,227
Finance costs		(3,541)	(1,237)	(1,648)	(476)
Profit/(loss) before tax		(13,327)	12,324	(4,776)	3,751
Tax	3	-	(1,256)	-	(299)
Profit/(loss) before minority interest		(13,327)	11,068	(4,776)	3,452
Minority interest		884	(746)	325	(221)
Profit/(loss) attributable to shareholders		(12,443)	10,322	(4,451)	3,231
Dividends	4	-	8,714	-	-
(Loss)/earnings per share - basic (cents)	5	(1.55)	0.89	(0.56)	0.4

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> (Unaudited)	Share premium account <i>HK\$'000</i> (Unaudited)	Retained profits <i>HK\$'000</i> (Unaudited)	Reserve funds <i>HK\$'000</i> (Unaudited)	Capital reserve <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
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)
At 30th September 2002	80,000	43,668	29,231	1,852	7,236	152,987
As at 1st January 2003	80,000	19,968	17,801	3,626	7,236	112,647
Loss for the nine months ended 30th September 2003	-	-	(12,443)	-	-	(12,443)
As at 30th September 2003	80,000	19,968	5,358	3,626	7,236	100,204

1. Principal accounting policies and basis of presentation

The unaudited quarterly financial statements of the Group have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations 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 quarterly financial report 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 “Audit 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 nine months and three months ended 30th September 2003 with the comparative figures for the corresponding periods in 2002 are as follows:

	Nine months ended 30th September		Three months ended 30th September	
	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000
Turnover				
System development and integration	19,143	63,749	1,274	16,949
Professional IT contract service	4,674	13,640	1,342	4,323
Total turnover	23,817	77,389	2,616	21,272
Other revenue	2,019	5,607	11	4,518
Total revenue	25,836	88,996	2,627	25,790

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 nine months ended 30th September,		For the nine months ended 30th September,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
System development and integration	19,143	63,749	3,629	21,403
Professional IT contract service	4,674	13,640	1,758	6,183
	23,817	77,389	5,387	27,586
Unallocated income and expenses			(17,830)	(17,264)
			(12,443)	10,322

During the period under review, 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. Tax

The Group did not derive any assessable profits in Hong Kong and thus no provision for Hong Kong profits tax has been provided for the period 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 period under review.

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

DIS Aipu was subject to corporate income tax at 7.5% for the period 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 (2002: Nil).



4. Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September 2003 (2002: a special dividend of HK\$8,714,000 was declared to the shareholders who were registered in the shareholders list as at 31st December 2001).

5. Loss/earnings per share

The basic loss per share for the three months and nine months ended 30th September 2003 are based on the unaudited combined loss attributable to shareholders of the Company for the three months and nine months ended 30th September 2003 of approximately HK\$5,101,000 and HK\$12,443,000, respectively (2002: profits of approximately HK\$3,231,000 and HK\$10,322,000, 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 nine months ended 30th September 2003 and 2002 as no diluting events existed during the period under review.

6. Bank loans

As at 30th September 2003, the Group has short term bank loans of approximately RMB92.5 million (equivalent to approximately HK\$86.4 million) in aggregate. Bank loans of approximately RMB62.5 million (equivalent to approximately HK\$58.4 million) are secured by a time deposit of approximately US\$8.2 million. The remaining balance of approximately RMB30 million (equivalent to approximately HK\$28 million) is supported by corporate guarantees executed by two non-related companies in the PRC.

7. Commitments and contingent liabilities

As at 30th September 2003, the Group had operating lease commitments of approximately HK\$1,506,000, which was payable within one year (as at 31st December 2002: approximately HK\$1,380,000). As at 30th September 2003, the Group did not have any capital commitments and contingent liabilities.

8. Post balance sheet events

The Group do not have any material events took place subsequent to 30th September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, the Group faced an unexpected negative business environment resulted at the outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the PRC especially in Beijing which are the core business locations of the Group. Contracts under negotiation were nearly all postponed due to the reason that the management of the customers rejected business meetings in order to avoid any infection of SARS.

Following the removal of Beijing from the list of SARS-infected areas and the travel advisory against Beijing by the World Health Organisation on 24th June 2003, the Group started to make marketing efforts to start a number of negotiations with its customers. The Group has successfully secured projects totaling approximately HK\$33 million during the three months ended September 2003. In addition, the Group is currently bidding for contracts of approximately HK\$31 million and the Directors expect to secure another HK\$40 million of contracts during the 4th quarter of 2003.

Financial Review

The turnover of the Group for the three months and nine months ended 30th September 2003 decreased by approximately 88% and 69% to approximately HK\$2.6 million and HK\$24 million respectively as compared to the corresponding periods in 2002. The significant decrease in turnover during the period under review 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 resulted from the outbreak of SARS.

During the review 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 sector 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 of approximately HK\$40 million (2001: HK\$35 million) which would be booked as revenue upon delivery and implementation.

Prospects

Although there has been a sharp decrease in the turnover of the Company in the first nine months of 2003 as compared with the corresponding period in last year, the Company will improve the sales and management system, increase the efforts on research and development and speed up the launching of new products to the market.



CHARGES ON GROUP ASSETS

As at 30th September 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 September 2003.

GEARING RATIO

As at 30th September 2003, the Group has cash and bank balances and deposits of around HK\$72.5 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) slightly increased from 41% as at 31st December 2002 to 50% as at 30th September 2003.

FOREIGN EXCHANGE EXPOSURE

During the period under review, 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

The Group had no significant contingent liabilities as at 30th September 2003.

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, there have been no plans for significant investment, capital assets and sources of funding.

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 September 2003.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September 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 Securities and Futures Ordinance (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	Family	Corporate Shares	Other	Total shares	Percentage of holding
Mr. Ding Wei Ming	-	-	351,680,000	-	351,680,000	43.96%
Mr. Shang Gang	-	-	351,680,000 (Note)	-	351,680,000 (Note)	43.96%

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 September 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/employees under the Share Option Scheme since the Company's listing on GEM on 16th August 2002.



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

As at 30th September 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 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 of the Company.

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%
CLP IT Solutions Limited (<i>note iii</i>)	41,840,000	5.23%

Notes:

- i. Jade Key Company Inc., is beneficially owned by Mr. Ding Wei Ming and Mr. Shang Gang, Directors, 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.

CONNECTED PARTY TRANSACTIONS

As at 30th September 2003, the Group had balances due from Mr. Ding Wei Ming and Mr. Shang Gang, Directors, of HK\$1,401,869 respectively. All these balances were settled in October 2003.

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 during the period under review.

SPONSOR'S INTERESTS

As confirmed by the Company's sponsor, CSC Asia Limited (the "Sponsor"), as at 30th September, 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.

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

AUDIT COMMITTEE

The Company established the Audit Committee on 12th 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 Audit 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 Audit Committee. The Audit Committee has reviewed the content 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
Datsys Technology Holdings Limited
DING Wei Ming, William
Chairman

Beijing, the PRC, 12th November 2003