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Datasys Technology Holdings Limited

迪斯數碼科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

CONNECTED TRANSACTIONS AND AMOUNTS DUE FROM DIRECTORS AND A RELATED COMPANY

The Directors announce that on 23 October 2003, Datasys DIS, a subsidiary of the Company, entered into agreements with Mr. Ding and Mr. Shang respectively, pursuant to which Datasys DIS agreed to acquire the respective 5% equity interests of Mr. Ding and Mr. Shang in Datareach at the consideration of HK\$1,401,869 respectively.

Mr. Ding and Mr. Shang are directors of the Company and each of them is deemed to be interested in 43.96% equity interest in the Company by virtue of the SFO. Mr. Ding is one of the four directors and Mr. Shang is one of the three supervisors of Datareach. The Acquisitions constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

The Directors also announce that amounts due from Mr. Ding, Mr. Shang, Ms. Cao and Datasys Central as at 31 December 2001 for HK\$6,448,000, HK\$7,068,000, HK\$93,000 and HK\$4,689,000 respectively as stated in page 165 of the Prospectus have been settled in full.

The amounts due from Mr. Ding and Mr. Shang constitute connected transactions under Chapter 20 of the GEM Listing Rules. **The failure by the Company to comply with the disclosure requirements for connected transactions under the GEM Listing Rules was an inadvertent oversight and constituted a breach of Chapter 20 of the GEM Listing Rules. The Stock Exchange reserves its rights to take appropriate action against the Company for such breach of the GEM Listing Rules, and for not making an announcement in a prompt manner when the results contemplated by the statement on page 165 of the Prospectus that “The amount due from directors and Datasys Central will be fully settled by them before Listing” have not been achieved.**

THE AGREEMENTS

Date: 23 October, 2003

Vendors: (i) Mr. Ding

(ii) Mr. Shang

* For identification purpose only

Purchaser:	Datasys DIS
Assets to be acquired:	The Ding Shares and Shang Shares, representing in aggregate 10% of the issued share capital of Datareach
Considerations:	HK\$1,401,869 for the Ding Shares and the Shang Shares respectively
Payment terms:	The Considerations are to be satisfied by setting off a sum of HK\$1,401,869 from the amount due from Mr. Ding and Mr. Shang to the Group respectively
Basis for the Considerations:	The Considerations have been arrived at after arm's length negotiation between the Company, Mr. Ding and Mr. Shang based on normal commercial terms with reference to a combination of factors including the future prospects and revenue generation potential of Datareach
Completion:	Completion of the Acquisitions shall take place on or before 31 October 2003, or such other date as the parties may agree in writing

INFORMATION ON DATAREACH

Datareach was incorporated in the PRC in July 1999 as a limited liability company and is principally engaged in the manufacture and sale of video-on-demand system. Datareach is beneficially owned as to 5% by Mr. Ding, 5% by Mr. Shang and 90% by 8 Independent Third Parties. Mr. Ding and Mr. Shang subscribed for their respective equity interest in Datareach for an aggregate amount of RMB1.5 million respectively since July 1999.

As at 31 December 2001, 31 December 2002 and 30 June 2003, the unaudited net asset value of Datareach amounted to approximately RMB31.3 million (or equivalent to approximately HK\$29.1 million), approximately RMB23.2 million (or equivalent to approximately HK\$21.7 million) and approximately RMB19.1 million (or equivalent to approximately HK\$18 million) respectively. Datareach recorded an unaudited loss of approximately RMB8 million (or equivalent to approximately HK\$7.5 million) for each of the two years ended 31 December 2002 and approximately RMB4.1 million (or equivalent to approximately HK\$3.9 million) for the 6 months ended 30 June 2003.

REASONS FOR THE ACQUISITIONS

The Group is principally engaged in the development and deployment of industry-oriented IT solutions for power and government administration industries as well as standalone IT solutions including office automation and asset management software in the PRC. The Acquisitions are in line with the Group's broad objective as stated in the Prospectus, namely, to pursue mergers and acquisitions with suitable companies in support of the Group's development. The Directors believe that the Acquisitions will supplement the applications and functions of the Group's IT solutions. In particular, there are demands from the Group's clients for incorporating video-on-demand functions in management information systems and the Group has been negotiating with Datareach to cooperate in bidding on projects for such management information systems. The Directors (including the independent non-executive Directors) consider that the Acquisitions, including the Consideration, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

GENERAL

Mr. Ding and Mr. Shang are Directors and each of them is deemed to be interested in 43.96% equity interest in the Company by virtue of the SFO. Mr. Ding is one of the four directors and Mr. Shang is one of the three supervisors of Datareach. The Acquisitions constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Pursuant to Rule 20.24 of the GEM Listing Rules, the connected transactions are exempted from the Shareholders' approval as each of the Ding Consideration and the Shang Consideration is less than HK\$10,000,000.

AMOUNTS DUE FROM DIRECTORS AND DATASYS CENTRAL

It was disclosed in the Prospectus that the amounts due from Mr. Ding, Mr. Shang, Ms. Cao and Datasys Central to the Group as at 31 December 2001 for HK\$6,448,000, HK\$7,068,000, HK\$93,000 and HK\$4,689,000 respectively will be fully settled by them before the Listing. As at the Listing Date, HK\$1,293,000, HK\$3,913,000, HK\$93,000 and HK\$4,689,000 were due from Mr. Ding, Mr. Shang, Ms. Cao and Datasys Central to the Group respectively. As at 31 December 2002, being the date on which the latest audited financial statements of the Group were made up, amounts due to the Group from Mr. Ding, Mr. Shang and Ms. Cao and Datasys Central were HK\$1,403,000, HK\$4,120,000, HK\$98,000 and 3,741,000 respectively. The difference between the respective outstanding amounts of Mr. Ding and Mr. Shang as at the Listing Date and as at 31 December 2002 for HK\$110,000 and HK\$207,000 respectively represented the disbursements which they incurred in the course of employment as Directors. The Directors consider that such additional amounts are incurred in the ordinary course of business of the Group. Amounts due from Mr. Ding, Mr. Shang and Ms. Cao and Datasys Central immediately before the settlement thereof were HK\$1,401,869, HK\$1,401,869, HK\$93,000 and HK\$3,741,000 respectively. Details of the amounts due from Mr. Ding, Mr. Shang, Ms. Cao and Datasys Central have been included in the Annual Report.

Prior to the issue of the Prospectus, Mr. Ding, Mr. Shang, Ms. Cao and Central Datasys intended that their respective amount due to the Group be settled by cash. Subsequently, Mr. Ding and Mr. Shang changed their intention by settle the outstanding balance by the transfer of their respective equity interests in Datareach to the Group. However, Mr. Ding and Mr. Shang later noted that such equity interests in Datareach could not be transferred without the consent of the shareholders of Datareach under its articles of association and as advised by their PRC legal advisers. The shareholders of Datareach only consented to the transfer by Mr. Ding and Mr. Shang of their equity interests in Datareach to Datasys DIS in late 2002. The Directors planned to execute the transfers after the release of the Annual Report to avoid affecting its preparation. Amounts due from Mr. Ding and Mr. Shang were fully settled on 23 October 2003 by setting off the Ding Consideration and the Shang Consideration respectively.

After the Listing and in about late August 2002, Ms. Cao and Datasys Central requested, and the Company agreed, to extend the repayment of their respective outstanding balances. The Group was advised by Ms. Cao that she originally planned to use her director's remuneration, which was increased since 1 July 2002, to pay her outstanding balance. In view of the unsatisfactory results of the Group in 2002, the Company has not paid the revised salary to Ms. Cao since July 2002 and she agreed to waive part of her remuneration in 2002 of RMB132,000 (or equivalent to approximately HK\$123,000). Therefore, in about late January 2003, the Group agreed to further extend her repayment to September 2003 by charging interest at the rate of 6% per annum commencing on 1 January 2003 until the outstanding balance and the interest accrued thereon are repaid in full. The Group has been negotiating with Datasys Central since about late 2002 for an increase in the registered capital of Datasys DIS, a subsidiary of the Company, which is owned by the Group as to 92.5% and Datasys Central as to 7.5%. To avoid interruption to the negotiation, in about late January 2003, Datasys Central requested for, and the Company agreed to grant, a

further extension of the repayment of its outstanding balance to September 2003 by charging interest at the rate of 6% per annum commencing on 1 January 2003 until the outstanding balance and the interest accrued thereon are repaid in full.

The outstanding balance due from Ms. Cao was settled in full on 26 September 2003 by cash. The outstanding balance together with accrued interest of HK\$252,518 due from Datasys Central was settled in full on 26 September 2003 by setting off the amount payable by the Group to Datasys Central for acquiring its right to subscribe for further equity interest in Datasys DIS. The shareholders are entitled to subscribe for further equity interest in proportion to their then equity interests pursuant to the resolutions of the shareholders of Datasys DIS in about June 2003. The value of the subscription right of HK\$4,000,000 was arrived at after arm's length negotiation between the Company and Datasys Central with reference to the net asset value of Datasys DIS, which amounts to approximately HK\$36 million as at 31 December 2002, and its future prospects and revenue generation potential. As a result of the increase in registered capital of Datasys DIS from US\$2 million to US\$10 million on 31 July 2003 and the exercise of its subscription right and the subscription right acquired from Datasys Central, the equity interest of the Group in Datasys DIS increased from 92.5% to 98.5%. The Directors (including the independent non-executive Directors) consider that the terms of the acquisitions of the subscription right in Datasys DIS, including the consideration, is on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As regards the payment by the Group of US\$8 million to Datasys DIS, there are the amount of US\$7,400,000 expected to be paid to maintain its interest of 92.5% in Datasys DIS as well as the remaining balance of US\$600,000 expected to be paid to increase its interest in Datasys DIS from 92.5% to 98.5%. As at the date of this announcement, the Group has paid US\$6.4 million (of which US\$1.8 million was made out of the proceeds of the private share placement made with CLP IT Solutions Ltd in June, 2002 and the remaining balance of US\$4.6 million was made out of the proceeds of the initial public offering of the Company raised in August, 2002). Such usage by way of increase in registered capital is merely a process through which Datasys DIS was injected with such capital so that Datasys DIS would then be able to apply such capital in line with the use of the proceeds stated in the Prospectus given that Datasys DIS is a main operating subsidiary principally engaged in the business of integration and software development of electric power station in the PRC.

GEM LISTING RULES

Given that Mr. Ding, Mr. Shang and Ms. Cao agreed to waive their respective remunerations of approximately HK\$457,000, HK\$459,000 and HK\$123,000 for 2002 in view of the unsatisfactory results of the Group and the extension of the repayment date of their respective amounts due to the Group, the Directors consider that the amounts due from Mr. Ding, Mr. Shang and Ms. Cao to the Group are on normal commercial terms (or better to the Group). Had interest been charged on the amount due from Mr. Ding, Mr. Shang and Ms. Cao from the Listing Date to 30 September 2003 for HK\$1,293,000, HK\$3,913,000 and HK\$93,000 respectively at the rate of 6% per annum, being the average interest rate generally charged by banks in Hong Kong on unsecured personal loans, the Group would only have received interest income of approximately HK\$87,300, HK\$264,100 and HK\$6,300 from Mr. Ding, Mr. Shang and Ms. Cao respectively. The amounts due from Mr. Ding and Mr. Shang constitute connected transactions under Chapter 20 of the GEM Listing Rules which should have been disclosed by way of an announcement. The amount due from Ms. Cao is less than HK\$1 million, and therefore exempted from reporting, announcement and shareholders' approval requirements.

The failure by the Company to comply with the disclosure requirements for connected transactions under the GEM Listing Rules was an inadvertent oversight and constituted a breach of Chapter 20 of the GEM Listing Rules. The Stock Exchange reserves its rights to take appropriate action against the Company for such breach of the GEM Listing Rules, and for not making an announcement in a prompt manner when the results contemplated by the statement on page 165 of the Prospectus that “The amount due from directors and Datasys Central will be fully settled by them before Listing” have not been achieved.

TERMS USED IN THIS ANNOUNCEMENT

“Acquisitions”	the acquisition by Datasys DIS of 5% equity interest in Datareach from each of Mr. Ding and Mr. Shang pursuant to the Ding Agreement and Shang Agreement respectively
“Annual Report”	the annual report of the Company dated 31 May 2003 for the year ended 31 December 2002
“associates”	has the same meaning as ascribed thereto under the GEM Listing Rules
“Company”	Datasys Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability
“Considerations”	Ding Consideration and Shang Consideration
“Datasys BVI”	Datasys (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Datasys DIS”	Beijing DIS Electronic Datasystem Co. Limited (北京迪斯電子數據系統有限公司), a sino-foreign joint venture enterprise established in the PRC on 25 August 1994 and owned as to 92.5% by Datasys BVI
“Datasys Central”	Central DIS Datasystem Co., Limited (北京市中環迪斯數據系統公司), a limited liability company incorporated in the PRC on 4 October 1993 and currently owned by Mr. Chen Shi Ming, Mr. Jiang Zhong Yong and Mr. Li Qin, all being Independent Third Parties
“Datareach”	Beijing Datareach Computer Technology Co., Ltd (北京市迪瑞計算機技術有限公司), a limited liability company incorporated in the PRC and is owned as to 5% by Mr. Ding, 5% by Mr. Shang and 90% by eight Independent Third Parties
“Ding Agreement”	the sale and purchase agreement entered into between Datasys DIS as purchaser and Mr. Ding as vendor dated 23 October 2003, whereby Datasys DIS has agreed to purchase from Mr. Ding the Ding Shares
“Ding Consideration”	HK\$1,401,869, being the consideration for the Ding Shares
“Ding Shares”	5% equity interest in Datareach owned by Mr. Ding

“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	independent third parties which are not connected with any of the Directors, chief executives, substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
“Listing”	the listing of the shares of the Company on GEM on the Listing Date
“Listing Date”	16 August 2002, being the date on which the Shares listed on the GEM
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Ding”	Mr. Ding Wei Ming, chairman of the Company and an executive Director who is deemed to be interested in 43.96% equity interest of the Company by virtue of the SFO
“Mr. Shang”	Mr. Shang Gang, president of the Company and an executive Director who is deemed to be interested in 43.96% equity interest of the Company by virtue of the SFO
“Ms. Cao”	Ms. Cao Ze Lan, an executive Director
“Prospectus”	the prospectus of the Company dated 31 July 2002
“PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shang Agreement”	the sale and purchase agreement entered into between Datasys DIS as purchaser and Mr. Shang as vendor dated 23 October 2003, whereby Datasys DIS has agreed to purchase from Mr. Shang the Shang Shares
“Shang Consideration”	HK\$1,401,869, being the consideration for the Shang Shares
“Shang Shares”	5% equity interest in Datareach owned by Mr. Shang
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Shareholders”	Shareholders of the Company
“HK\$”	Hong Kong dollars
“RMB”	Renminbi

For and on behalf of the Company
Datasys Technology Holdings Limited
Ding Wei Ming
Chairman

Datasys, the PRC, 23 October 2003

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 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 their 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. This announcement will remain on the “Latest Company Announcements” page of the GEM Website at www.hkgem.com for at least 7 days from the date of its publication.