



Datasys Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

2004 1st 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.

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HIGHLIGHTS

The Group achieved total revenue of approximately HK\$15.7 million for the three months ended 31st March 2004, representing an increase of approximately 176.1% over the corresponding period in 2003.

Loss attributable to shareholders for the same period amounted to approximately HK\$2 million as compared with loss of HK\$4.7 million for the corresponding period of 2003 representing an improvement of approximately 57.7%.

The Directors do not recommend the payment of dividend for the three months ended 31st March 2004.

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 three months ended 31st March 2004 together with the unaudited comparative figures for the corresponding period in 2003 as follows:

	Notes	Three months ended 31st March	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover	4	15,765	5,709
Cost of sales		13,310	(4,306)
Gross profit		2,455	1,403
Other revenue	4	509	362
Selling and distribution costs		(1,360)	(2,174)
Administrative expenses		(2,478)	(3,803)
Loss from operating activities		(874)	(4,212)
Finance costs	6	(1,103)	(794)
Loss before tax		(1,977)	(5,006)
Tax	7	–	–
Loss before minority interest		(1,977)	(5,006)
Minority interest		5	342
Loss attributable to shareholders		(1,972)	(4,664)
Dividends	8	–	–
Loss per share – basic (cents)	9	(0.25)	(0.58)

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000 (unaudited)	Share premium account HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited)	Reserve funds HK\$'000 (unaudited)	Capital reserve HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
As at 1st January 2003	80,000	19,968	17,801	3,626	7,236	112,647
Loss for the period	-	-	(4,664)	-	-	(4,664)
As at 31st March 2003	80,000	19,968	5,358	3,626	7,236	107,983
At 1st January 2004	80,000	19,968	(84,453)	3,626	7,236	26,377
Loss for the period	-	-	(1,972)	-	-	(1,972)
At 31st March 2004	80,000	19,968	(86,425)	3,626	7,236	24,405

Notes on the unaudited quarterly report:

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 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 quarterly financial report are consistent with those adopted by the Group for the year ended 31st December 2003.

The condensed financial statements are unaudited but have been reviewed by Mr. Xia Qing, an ex-member of the audit committee of the Company (the "Auditing Committee") who resigned on 14th May 2003.

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 three months ended 31st March 2004 with the comparative figures for the corresponding period in 2003 are as follows:

	Three months ended 31st March	
	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover		
System development and integration	15,765	4,880
Professional IT contract service	–	829
Total turnover	15,765	5,701
Other revenue	509	362
Total revenue	16,274	6,063

b. Business segment

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

	Turnover For the three months ended 31st March,		Profit attributable to shareholders For the three months ended 31st March,	
	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
System development and integration	15,765	4,880	2,455	1,220
Professional IT contract service	–	829	–	183
	15,765	5,701	2,455	1,403
Unallocated income and expenses			(4,427)	(6,067)
			(1,972)	(4,664)

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.

Datasys DIS was subject to corporate income tax at a rate of 15% on its taxable income and 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 was no unprovided deferred tax in respect of the period under review (2003: Nil).

4. Dividends

The Directors do not recommend the payment of an interim dividend for the three months ended 31st March 2004 (2003: nil).

5. Loss/earnings per share

The basic loss per share for the three months ended 31st March 2004 are calculated based on the unaudited combined loss attributable to shareholders of the Company for the three months ended 31st March 2004 of approximately HK\$1,972,000 (2003: loss of approximately HK\$4,664,000) and 800,000,000 shares during the period.

No diluted earnings per share have been presented for the three months ended 31st March 2004 and 2003 as no diluting events existed during the period under review.



6. Bank loans

As at 31st March 2004, the Group has short term bank loans of RMB30 million (equivalent to approximately HK\$28 million) in aggregate which is supported by corporate guarantees executed by two non-related companies in the PRC.

7. Commitments and contingent liabilities

As at 31st March 2004, the Group had operating lease commitments of approximately HK\$1.3 million, which was payable within one year (as at 31st December 2003: approximately HK\$500,000). As at 31st March 2004, the Group did not have any material capital commitments.

On 30th December 2003, Nan Tong Jiang Hai Dian Rong Qi Co., Ltd. (南通江海電容器有限公司) filed a court case against Beijing DIS Electronic Datasystem Co., Ltd. (BJ DIS), a subsidiary of the Group, for the repayment of a loan advance to BJ DIS of RMB12 million plus relevant interest of RMB13.6 million. The trial action has been commenced but the judgement has not been handed down.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, the Group has undergone internal restructuring. Mr. Ding Wei Ming, the ex-chairman of the Group has tendered his resignation to the Company due to personal reason. Subsequently, Mr. Shang Gang has been appointed to replace Mr. Ding as the chairman of the Group. Following the removal of Beijing from the list of SARS-infected areas and the travel advisory against Beijing by the World Health Organization on 24th June 2003, the Group started to make marketing efforts to start a number of negotiations with its customers. During the period under review, contracts of approximately HK\$15.7 million were completed. Moreover, the directors has made significant efforts to reduce the operating costs and overheads during the period with a goal of achieving better results in 2004.

Financial Review

The turnover of the Group for the three months ended 31st March 2004 increased by approximately 176.1% to approximately HK\$15.7 million as compared to approximately HK\$5.7 million in the corresponding period in 2003.

During the review period, the Group mainly focused on developing its business with electric power stations and achieved an improvement in performance as a result of completion of the reform of electric power station sector in 2003. Moreover, the Group has undergoing internal restructuring to reduce the operating cost and overheads with a goal of achieving better results in 2004.

Prospects

As at 31st March 2004, the Group had contracts on hand for sales amounting to approximately HK\$12 million (2003: approximately HK\$20 million) which would be booked as revenue upon delivery and implementation.

During the 3 months ended 31st March 2004, the Group was going through an internal restructure where certain members of the Group's management have been changed and its business operations streamlined. Upon the completion of this transitional period, it is expected that the new management will inject new energy into the Group's business while its streamlined operation will reduce the Group's operating cost and overheads. The Directors expect that these measures will bear fruit in the coming years when better results can hopefully be achieved by the Group.

CHARGES ON GROUP ASSETS

The Group did not have any significant charges on assets as at 31st March 2004.

GEARING RATIO

As at 31st March 2004, the Group had cash and bank balances and deposits of around HK\$9 million in its current assets and had short term bank loans of approximately HK\$28 million. The gearing ratio (current liabilities over total assets) increased from approximately 41% as at 31st March 2003 to approximately 100% as at 31st March 2004.

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.



ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company's shares were listed on Growth Enterprise Market 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 as of date of this announcement.

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 31st March 2004.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st March 2004, 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
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 as to 50% by Mr. Shang Gang, the chairman and an executive Director. Mr. Shang Gang is deemed to be interested in the shares of the Company.

Save as disclosed above, as at 31st March 2004, 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 31st March 2004, 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%
Ms. Liu Xin (<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%
CLP Enterprises Limited (<i>note iii</i>)	41,840,000	5.23%
CLP Holdings Limited (<i>note iii</i>)	41,840,000	5.23%

Notes:

- i. Jade Key Company Inc., is beneficially owned by Mr. Ding Wei Ming, Mr. Shang Gang and Ms. Liu Xin as to 32.94%, 50% and 17.06% respectively.

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- 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 in the Main Board of the Stock Exchange. The shares deemed to be interested by CLP IT Solutions Limited, CLP Enterprises Limited and CLP Holdings Limited is overlapped.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares in the Company as at 31st March 2004.

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 31st March 2004, 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.

As at 31st March 2004, the Audit Committee consisted of Mr. Choi Man On and Mr. Xia Qing, both of whom have resigned as independent non-executive directors on 6 April 2004 and 14 May 2004 respectively.

As at date of this announcement, the Audit Committee consists of two independent non-executive directors, namely, Mr. Wang Bin and Mr. Qiu Ji Cheng. Mr. Wang is the Chairman of the Audit Committee.

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
Shang Gang
Chairman

Beijing, the PRC, 14th May 2004