



Datasys Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

2004 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.

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HIGHLIGHTS

The Group achieved total revenue of approximately HK\$20 million for the six months ended 30th June 2004, representing decrease of approximately 5% over the corresponding period in 2003.

Loss attributable to shareholders decreased to approximately HK\$ 6.1 million as compared with loss of approximately HK\$8.5 million for the corresponding period in 2003, representing an decrease of approximately 28% over the corresponding period of 2003.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30th June 2004.

CONSOLIDATED RESULTS

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 2004 together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

	Notes	Six months ended 30th June		Three months ended 30th June	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover	2	20,018	21,201	4,253	15,492
Cost of sales		(19,895)	(17,036)	(6,585)	(12,730)
Gross profit		123	4,165	(2,332)	2,762
Other revenue	2	862	2,008	353	1,646
Selling and distribution costs		(2,118)	(5,507)	(758)	(3,333)
Administrative expenses		(3,714)	(7,324)	(1,236)	(3,521)
Loss from operating activities		(4,847)	(6,658)	(3,973)	(2,446)
Finance costs		(1,302)	(1,893)	(199)	(1,099)
Loss before tax		(6,149)	(8,551)	(4,172)	(3,545)
Tax	4	–	–	–	–
Loss before minority interest		(6,149)	(8,551)	(4,172)	(3,545)
Minority interest		–	559	–	217
Loss attributable to shareholders		(6,149)	(7,992)	(4,172)	(3,328)
Loss per share – basic (cents)	6	(0.77)	(1.00)	(0.52)	(0.42)

COMBINED BALANCE SHEET

	<i>Notes</i>	At 30th June 2004 HK\$'000 (unaudited)	At 31st December 2003 HK\$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets		3,869	4,819
		3,869	4,819
CURRENT ASSETS			
Inventories		4,640	4,721
Trade receivables	7	7,962	18,746
Prepayments, deposits and other receivables		25,601	30,031
Pledged bank deposits		–	47,122
Cash and cash equivalents		788	4,028
		38,991	104,648
CURRENT LIABILITIES			
Trade payables	8	11,725	16,255
Other payables and accruals		16,554	26,041
Deferred revenue		5,620	6,266
Tax payable		3,163	3,163
Bank loans	9	28,037	73,832
		65,099	125,557
NET CURRENT ASSETS		(26,108)	(20,909)
TOTAL ASSETS LESS CURRENT LIABILITIES		(22,239)	(16,090)
MINORITY INTERESTS			
		–	–
		(22,239)	(16,090)
REPRESENTED BY:			
Issued capital		80,000	80,000
Reserves		(102,239)	(96,090)
		(22,239)	(16,090)

CONDENSED COMBINED CASH FLOW STATEMENT

	For the six months ended 30th June	
	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(4,567)	875
NET CASH OUTFLOWS USED IN INVESTING ACTIVITIES	–	(2,912)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(45,795)	14,408
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(50,362)	12,371
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	51,150	4,632
CASH AND CASH EQUIVALENTS AT END OF PERIOD	788	17,003
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	788	17,003

CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Share premium account HK\$'000	Retained profits HK\$'000	Reserve funds HK\$'000	Capital reserve HK\$'000	Total HK\$'000
As at 1st January 2003	80,000	19,968	17,801	3,626	7,236	112,647
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
As at 1st January 2004	80,000	19,968	(126,954)	3,660	7,236	(16,090)
Loss for the six months ended 30th June 2004	-	-	(6,149)	-	-	(6,149)
As at 30th June 2004	80,000	19,968	(133,103)	3,660	7,236	(22,239)

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 Hong Kong Financial Reporting Standard – Statement of Standard Accounting Practice No.25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

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 31 December 2003.

The condensed financial statements are unaudited but have been reviewed by the Auditing 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 with the comparative figures for the corresponding period in 2003 are as follows:

	Six months ended 30th June		Three months ended 30th June	
	2004 (unaudited)	2003 (unaudited)	2004 (unaudited)	2003 (unaudited)
Turnover				
System development and integration	19,670	18,430	3,905	39,440
Professional IT contract service	348	2,771	348	1,516
Total turnover	20,018	21,201	4,253	40,956
Other revenue	862	2,008	353	866
Total revenue	20,880	23,209	4,606	41,822

b. Business segment

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

	Turnover For the six months ended 30th June,		Loss attributable to shareholders For the six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
System development and integration	19,670	18,430	(1,096)	3,386
Professional IT contract service	348	2,771	(1,236)	970
	20,018	21,201	(2,332)	4,356
Unallocated income and expenses			(1,840)	(12,348)
			(4,172)	(7,992)

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.

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	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Cost of inventories sold and services provided	19,895	17,036	6,585	12,730
Depreciation	950	1,207	475	652

4. 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.

Beijing DIS Electronic Datasystem Co., Ltd. ("Datsys DIS") was subject to corporate income tax at a rate of 15% 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 a rate of 7.5% from 2001 to 2004 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 (2003: Nil).

5. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2004 (2003: Nil).

6. Loss per share

The basic loss per share for the three months and six months ended 30th June 2004 are calculated based on the unaudited combined losses attributable to shareholders of the Company for the three months and six months ended 30th June 2004 of approximately HK\$4,172,000 and HK\$6,149,000, respectively (2003: approximately HK\$3,328,000 and HK\$7,992,000, respectively) and 800,000,000 shares.

No diluted earnings per share have been presented for the three months and six months ended 30th June 2004 and 2003 as no diluting events existed during the period under review.

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 2004 HK\$'000	As at 31st December 2003 HK\$'000
Outstanding balances with ageing:		
0 to 30 days	213	264
31 to 60 days	–	173
61 to 90 days	–	1,164
91 to 180 days	2,355	15
181 to 365 days	4,428	8,188
Between 1 to 2 years	8,342	20,779
Over 2 years	23,155	18,694
Less: Provision for doubtful debts	(30,531)	(30,531)
	7,962	18,746

8. Trade payables

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Outstanding balances with ageing:		
Within 180 days	–	8,233
Between 181 days to 1 year	5,963	7,947
Over 1 year	5,762	75
	11,725	16,255

9. Bank loans

As at 30th June 2004, bank loans of RMB20 million (equivalent to approximately HK\$28 million) in aggregate which is secured by corporate guarantees from an independent non-related company. Short term bank borrowing of HK\$9.3 million were secured by corporate guarantee from Zhong Jia Yang Guang Investment Guarantee Co., Limited, in which Mr. Wang Zhi Gang, an executive director of the Company, is a director.

10. Share capital

	As at 30th June 2004		As at 31st December 2003	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
– ordinary shares of HK\$0.1 each				
At beginning of year and end of period/year	2,000,000,000	200,000,000	2,000,000,000	200,000,000

Issued and fully paid:

	As at 30th June 2004		As at 31st December 2003	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Issued and fully paid:				
– ordinary shares of HK\$0.1 each				
At beginning and end of period/year	800,000,000	80,000,000	800,000,000	80,000,000



11. Commitments

As at 30th June 2004, the Group had operating lease commitments of approximately HK\$1 million (as at 31st December 2003: approximately HK\$293,000), which was payable within one year. As at 30th June 2004, the Group did not have any capital commitments.

12. Contingent liabilities

- (a) On 30th December 2003, Datasys DIS received a notice from the court in Mainland China as a defendant in a lawsuit brought by 南通江海電容器有限公司 (“Nan Tong Jiang Hai”), in independent third party, which claimed Datasys DIS for the repayment of an alleged loan amount of RMB12 million (equivalent to approximately HK\$11.2 million) plus interests of RMB716,000 and related legal costs for the lawsuit.

Subsequent to the balance sheet date, on 31st May 2004, a court ruling was issued by 江蘇省南通市中級人民法院. Pursuant to the court ruling, Datasys DIS was required to repay Nan Tong Jiang Hai the alleged loan amount plus interest, related legal costs and a penalty totalling approximately HK\$13.4 million (the “Claim”).

The directors, with the advice from the legal counsel, consider that Datasys DIS has a valid defence to the litigation and is in the process of filing an appeal against the court ruling. Accordingly, the Group has not made any provision for the Claims arising from this litigation.

- (b) In late July 2004, Datasys DIS received a notice from the court in Mainland China as a defendant in a lawsuit brought by Beijing City Commercial Bank BaiShiQiao Branch which claimed Datasys DIS for the repayment of short term bank borrowing plus interest and legal fee of RMB20.5 million which expired on 11th June 2004.

13. Subsequent events

No other material significant events took place subsequent to 30th June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During 2004, the Group has carried out a series of reforms, consolidation of the internal business and undertook effective measures to control operating costs and maintain our quality of services. By deploying internal resources effectively, realizing the competitive edge of integrating and creating synergies, the Group will enhance the competitiveness of the core business.

Financial Review

The turnover of the Group for the three months and six months ended 30th June 2004 decreased by approximately 73% and 5% to approximately HK\$4.3 million and HK\$20 million respectively as compared to the corresponding period in 2003. The decrease in turnover during the six months ended 30 June 2004 was mainly due to the delay in completion of certain system integration projects of approximately HK\$5 million due to the internal reorganization of the Group during the period under review.

During the three months ended 30th June 2004, the Group focused on developing its business in the electric power station and expects to achieve an improvement in performance and the high seasonal impact.

Order Book and Prospects of New Business

As at date of this announcement, the Group had contracts on hand for sales amounting to approximately HK\$7 million (2003: HK\$15 million) which would be booked as revenue upon delivery and implementation.

Prospects

2004 has been challenging so far and the Group is ready and able to respond to market conditions as they unfold. Moreover, the Group will continue to focus in the electric power industry in which the Group has earned a leading reputation in this field. In the coming months, we planned to form strategic partnership and distribution networks so as to enlarge our research and development ability and marketing networks.



COMPARISON OF THE BUSINESS PLANS AND ACTUAL PROGRESS

Expected progress

From 1 January 2004 to 30 June 2004

Actual progress

From 1 January 2004 to 30 June 2004

Revenue

Continue to generate steady revenue from Power MIS projects, Power Geographic Information System, Power Trading System, MIS for government Administration and standalone IT solutions

The Group has successfully secured projects in relation to Power MIS projects, Power Geographic Information System, 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

During the six months ended 30th June 2004, the Group was able to generate income from office automation system, Power Plant Application Software and Power Trading System.

Continue to generate steady revenue from the municipal public security system

No income was generated from the public security system during the period.

Continue to generate income from IT training and consultancy business.

The Group was able to generate income from provision of IT training and consultancy service.

Continue to generate revenue from Monitoring System

No income was generated from the monitoring system during the period

Expected progress
From 1 January 2004 to 30 June 2004

Actual progress
From 1 January 2004 to 30 June 2004

Marketing strategies

Increase the coverage of the Group's nationwide network via the expansion of the Group's existing branches and representative offices	Due to the change in the management team of the Group early 2004, most of the marketing strategies were postponed.
Continue to participate in exhibitions and seminars for the electric power industry	Same as above
Continue to participate in nation-wide seminars for the public security sector	Same as above
Liaise with IT department of the national industrial associations relating to the feasibility of joint marketing or other forms of collaboration	Same as above
Participate in seminar for the public security sector	Same as above
Advertise in the China Police Daily for the Monitoring System on a monthly basis	Same as above



Expected progress
From 1 January 2004 to 30 June 2004

Actual progress
From 1 January 2004 to 30 June 2004

Software Research and Product Development

Continue to seek cooperation with universities or research institutions which are reputable in technology research in the PRC

The Group has cooperated with Tsing Hua University for some projects.

Continue to enhance the Power Trading System to cope with the expansion of demands in the power market

Due to the change in the management team of the Group that commenced in early 2004, software research and development was temporarily stopped.

Complete the development of Power Dispatching Automation System should the feasibility study conducted by the Group show favourable results

Same as above

Implement Enterprise Application Integration platform and other applications

Same as above

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30th June 2004, the Group continued its conservative policies in cash and financial management. The Group has disposed the USD fixed deposits of USD5.8 million upon maturity and use most of the funds to repay the short term bank borrowings of RMB45 million on late March 2004 in order to reduce the bank interest expenses of the Group.

As at 30 June 2004, the Group has net current liabilities of approximately HK\$26.1 million (31st December 2003: HK\$20.9 million). The current ratio has decreased from 0.83 as at 31st December 2003 to 0.6 as at 30th June 2004.

CHARGES ON GROUP ASSETS

As at 30th June 2004, the Group had bank borrowings of approximately HK\$28 million which loan of HK\$9.3 million were secured by corporate guarantee from Zhong Jia Yang Guang Investment Guarantee Co., Limited, in which Mr. Wang Zhi Gang, an executive director of the Company, is a director.

Save as disclosed above, the Group did not have any significant charges on assets as at 30th June 2004.

GEARING RATIO

As at 30th June 2004, the Group has cash and bank balances and deposits of around HK\$800K in its current assets and have short term bank loans of approximately HK\$28 million. The gearing ratio (current liabilities over total assets) increased from approximately 115% as at 31st December 2003 to approximately 151% as at 30th June 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 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. The Group had not made any significant acquisitions, disposals and investments and during the six months ended 30th June 2004.

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.



EMPLOYEE INFORMATION

As at 30th June 2004, the Group had 34 employees who 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 and staff training programs to employees. There has been no major change on staff remuneration policies during the 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	1.64	–
Sales and marketing	4	1.1	0.5
Expansion of existing branches or offices	4.15	0.99	0.3
Expansion of new branches or offices	6.28	1.275	–
Strategic investments	12	3	–
Additional working capital	5	1	2
Others	4.77	1.5	0.5
Total	48.20	10.505	3.3

The shortfall of the actual funding spent during the period was mainly due to the change in senior management of the Group who are running the Group prudently in view of the current operating environment.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the broad practices and procedures as set out in Rules 5.34 to 5.45 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") during the period commencing from its listing date to 30th June 2004.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th June 2004, the interests and short positions of the directors, the chief executive of the Company and their respective associates in the shares, underlying shares and debentures 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 interest	Family Capacity	Family interest	Corporate interest	Capacity	Other interest	Total interest in shares	Approximate percentage of the Company's issued share capital
Mr. Shang Gang	Nil	N/A	N/A	351,680,000 (Note 1)	Interest of a controlled corporation	Nil	351,680,000	43.96%
Mr. Zhang Jian	Nil	N/A	N/A	175,840,000 (Note 2)	Interest of a controlled corporation	Nil	175,840,000	21.98%



Note1: These shares, representing 43.96% of the issued share capital of the Company, are held by Jade Key Company Inc., a company owned by Mr. Shang Gang of 50% interest. Mr. Shang Gang are deemed to be interested in these shares. On 16 July 2004, Mr. Shang Gang has transferred his 49% interest in Jade Key Company Inc. to Mr. Chen Yang, an independent non-related third party.

Note2: These shares, representing 21.98% of the issued share capital of the Company, are held by Shinning Path Limited., a company wholly-owned by Mr. Zhang Jian.

Save as disclosed above, as at 30th June 2004, none of the directors had any interests or short positions in any shares, underlying shares and debentures 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.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30th June 2004, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GRM Listing Rules.

Having made specific enquiry with all the Directors, the Directors of the Company confirmed that they had complied with the required standard of dealings and the code of conducts for directors' securities transactions during the six months ended 30th June 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 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 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 Company Inc. (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%

Notes:

- i. Jade Key Company Inc., is beneficially owned by Mr. Shang Gang of 50% interest. On 16th July 2004, Mr. Shang Gang has transferred his 49% interest in Jade Key Company Inc. to Mr. Chen Yang.
- ii. Shinning Path Limited, is beneficially owned by Mr. Zhang Jian, an executive director of the Company.
- 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 interest in the shares of the Company held by CLP IT Solutions Limited are duplicated by the interests of the Company held by CLP Enterprises Limited, which are also duplicated by the interests of CLP Holdings Limited.

Save as disclosed above, as at 30th June 2004, no persons who 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”)) had notified 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.



SHARE OPTION SCHEMES

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 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

As at 30th June 2004, short term bank borrowing of HK\$9.3 million were secured by corporate guarantee from Zhong Jia Yang Guang Investment Guarantee Co., Limited, in which Mr. Wang Zhi Gang, an executive director of the Company, is a director.

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, 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 31 December 2004 and the Company shall pay an agreed fee to the Sponsor for its provision of services.

AUDIT COMMITTEE

The Company established an audit committee (the "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 Committee consists of two Independent Non-executive Directors, namely, Mr. Wang Bin and Mr. Qiu Ji Cheng. Mr. Wang is the Chairman of the Committee. The Audit 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.

As at the date of this report, the Company's executive directors include Mr. Zhang Jian, Mr. Wang Zhi Gang and Ms. Cao Ze Lan. Independent non-executive director includes Mr. Wang Bin and Mr. Qiu Ji Cheng.

A separate announcement will be made for the resignation of Mr. Shang Gang as the chairman and an executive director of the Company.

On behalf of the board
Datsys Technology Holdings Limited
Wang Zhi Gang
Executive Director

Beijing, the PRC, 13th August 2004