



DATASYS TECHNOLOGY HOLDINGS LIMITED

迪斯數碼科技集團有限公司 *

(Incorporated in Cayman Islands with Limited Liability)

(Stock Code: 8057)

**INTERIM RESULTS REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2005**

* *For identification purpose only*

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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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Datasys Technology Holdings Limited collectively and individually accept 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 Datasys Technology Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report 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 this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group achieved total revenue of approximately HK\$1,000,000 for the six months ended 30 June 2005.

Loss attributable to shareholders decreased to approximately HK\$ 304,000 as compared with loss of approximately HK\$6,149,000 for the corresponding period in 2004, representing an decrease of approximately 95% over the corresponding period of 2004.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

CONSOLIDATED RESULTS

The board of directors (the “Board”) of Datasys Technology Holdings Limited (the “Company”) 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 30 June 2005 together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
		Turnover	2	1,000	20,018
Cost of Sales		(860)	(19,895)	(520)	(6,585)
Gross profit/(loss)		140	123	80	(2,332)
Other revenue	2	—	862	—	353
Selling and distribution costs		(64)	(2,118)	(1)	(758)
Administrative expenses		(380)	(3,714)	(328)	(1,236)
Loss from operation	3	(304)	(4,847)	(249)	(3,973)
Finance costs		—	(1,302)	—	(199)
Loss before tax		(304)	(6,149)	(249)	(4,172)
Tax	4	—	—	—	—
Loss before minority interest		(304)	(6,149)	(249)	(4,172)
Minority interest		—	—	—	—
Loss attributable to shareholders		(304)	(6,149)	(249)	(4,172)
Dividend	5	—	—	—	—
Loss per shares basic (cents)	6	(0.04)	(0.77)	(0.03)	(0.52)

COMBINED BALANCE SHEET

		30 June 2005 (unaudited) HK\$'000	31 December 2004 (unaudited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		<u>3,692</u>	<u>3,681</u>
		3,692	3,681
CURRENT ASSETS			
Inventories		1,167	1,163
Trade receivables	7	7,339	7,469
Prepayments, deposits and other receivables		25,033	24,508
Cash and cash equivalents		<u>1,131</u>	<u>1,076</u>
		34,670	34,216
CURRENT LIABILITIES			
Trade payables	8	12,692	12,692
Other payables and accruals		35,547	34,778
Deferred revenue		5,461	5,461
Tax payable		3,122	3,122
Bank loans		<u>9,346</u>	<u>9,346</u>
		66,168	65,399
NET CURRENT LAIBILITIES		<u>(31,498)</u>	<u>(31,183)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(27,806)	(27,502)
MINORITY INTERESTS		<u>—</u>	<u>—</u>
		<u>(27,806)</u>	<u>(27,502)</u>
REPRESENTED BY:			
Issued capital	9	80,000	80,000
Reserves		<u>(107,806)</u>	<u>(107,502)</u>
		<u>(27,806)</u>	<u>(27,502)</u>

CONDENSED COMBINED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	55	(4,567)
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	—	—
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	—	(45,795)
	<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	55	(50,362)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	1,076	51,150
	<hr/>	<hr/>
CASH AND CASH EQUIVALENT AT END OF PERIOD	1,131	788
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	1,131	788
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**CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

	Share capital	Share premium account	Retained losses	Reserve funds	Capital reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2004	80,000	19,968	(126,954)	3,660	7,236	(16,090)
Loss for the six months ended 30 June 2004	—	—	(6,149)	—	—	(6,149)
	<u>80,000</u>	<u>19,968</u>	<u>(133,103)</u>	<u>3,660</u>	<u>7,236</u>	<u>(22,239)</u>
As at 30 June 2004	<u>80,000</u>	<u>19,968</u>	<u>(133,103)</u>	<u>3,660</u>	<u>7,236</u>	<u>(22,239)</u>
As at 1 January 2005	80,000	19,968	(138,366)	3,660	7,236	(27,502)
Loss for the six months ended 30 June 2005	—	—	(304)	—	—	(304)
	<u>80,000</u>	<u>19,968</u>	<u>(138,670)</u>	<u>3,660</u>	<u>7,236</u>	<u>(27,806)</u>
As at 30 June 2005	<u>80,000</u>	<u>19,968</u>	<u>(138,670)</u>	<u>3,660</u>	<u>7,236</u>	<u>(27,806)</u>

NOTES ON THE UNAUDITED INTERIM ANNOUNCEMENT:

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 2004

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 for the six months ended 30 June 2005 with the comparative figures for the corresponding period in 2004 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Turnover				
System development and integration	1,000	19,670	600	3,905
Professional IT contract service	—	348	—	348
Total turnover	1,000	20,018	600	4,253
Other revenue	—	862	—	353
Total revenue	1,000	20,880	600	4,606

b. *Business segment*

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

	Turnover		Loss attributable to shareholders	
	For the six months ended 30 June		For the six months ended 30 June	
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
System development and integration	1,000	19,670	140	(1,096)
Professional IT contract service	—	348	—	(1,236)
Total revenue	<u>1,000</u>	<u>20,018</u>	<u>140</u>	<u>(2,332)</u>
Unallocated income and expenses			<u>(444)</u>	<u>(1,840)</u>
			<u>(304)</u>	<u>(4,172)</u>

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. **Loss from operating activities**

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

	For the six months ended 30 June		For the three months ended 30 June	
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold and service provided	860	19,895	520	6,585
Depreciation	<u>200</u>	<u>950</u>	<u>100</u>	<u>475</u>

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 21 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 (2004: Nil).

5. **Dividend**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

6. **Loss per share**

The basic loss per share for the three months ended and six months ended 30 June 2005 are calculated based on the unaudited combined losses attributable to shareholders of the Company for the three months ended and six months ended 30 June 2005 of approximately HK\$249,000 and HK\$304,000 respectively (2004: approximately HK\$4,172,000 and HK\$6,149,000 respectively) and 800,000,000 shares.

No diluted earnings per share have been presented for the six months 30 June 2005 and 2004 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 30 June 2005 (unaudited) HK\$'000	As at 31 December 2004 (unaudited) HK\$'000
Outstanding balances with ageing:		
181 to 365 days	—	2,075
Between 1 to 2years	6,373	4,428
Over 2 years	31,497	31,497
Less: Provision for doubtful debts	(30,531)	(30,531)
	<hr/> 7,339 <hr/>	<hr/> 7,469 <hr/>

8. Trade payables

	As at 30 June 2005 (unaudited) HK\$'000	As at 31 December 2005 (unaudited) HK\$'000
Outstanding balances with ageing:		
Within 180 days	—	967
Between 181 days to 1 years	967	—
Over 1 years	11,725	11,725
	<hr/> 12,692 <hr/>	<hr/> 12,692 <hr/>

9. Capital

	As at 30 June 2005		As at 31 December 2004	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
- ordinary shares of HK\$0.1 each				
At the beginning of year and end of period/year	<u>2,000,000,000</u>	<u>200,000,000</u>	<u>2,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
- ordinary shares of HK\$0.1 each				
At the beginning of year and end of period/year	<u>800,000,000</u>	<u>80,000,000</u>	<u>800,000,000</u>	<u>80,000,000</u>

10. Contingent liabilities

- (a) On 30 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"), an 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.

On 31 May 2004, a court ruling was issued by 江蘇省南海市中級人民法院. 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.

11. Subsequent events

No other material significant events took place subsequent to 30 June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Group for the three months and six months ended 30 June 2004 decreased by approximately 86% and 95% to approximately HK\$600,000 and HK\$1,000,000 respectively as compared to the corresponding period in 2004.

Prospects

The Group will launch new product as soon as possible.

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 16 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 during the six months ended 30 June 2005.

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 5.34 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 30 June 2005.

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

As at 30 June 2005, 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	Capacity	Family interest	Corporate interest	Capacity	Other interest	Total Interest in shares	Approximate Percentage of the Company's Issued share Capital
Mr. Chen Jun	Nil	N/A	N/A	351,680,000 (Note 1)	Interest in a controlled corporation	Nil	351,680,000	43.96%

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. Chen Jun of 49% interest.

Save as disclosed above, as at 30 June 2005, 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.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the six months ended 30 June 2005, 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 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, 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. Chen Jun (note i)	351,680,000	43.96%
Ms. Liu Xin (note i)	351,680,000	43.96%
Mr. Ding Wei Ming (note i)	351,680,000	43.96%
Shinning Path Limited (note ii)	175,840,000	21.98%
Mr. George Liu (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, Mr. Chen Yang, Ms Liu Xin and Mr. Ding Wei Ming of 1%, 49%, 17.06% and 32.94% interest respectively. On 1 July 2005 Mr. Li Nan informed the Company that Mr. Li Nan and Mr. Ding Wei Ming had signed a share transfer agreement on 25 June 2005. According to the agreement Mr. Ding Wei Ming transferred his 32.94% interest in Jade Key Company Inc. to Mr. Li Nan. The related registration of shares transfer was in progress.

- ii. Shinning Path Limited, is beneficially owned by Mr. George Liu
- 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 30 June 2005, 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 29 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.

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

AUDIT COMMITTEE

The Company established an audit committee (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 three Independent Non-executive Directors, namely, Mr. Wang Yu Wei, Mr. Li Wei and Mr. Qiu Ji Cheng. Mr. Wang Yu Wei 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 16 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 announcement the executive directors of the Company comprise of Mr. Chen Jun and Mr. Zhang Jian and the independent non-executive directors of the Company comprise of Mr. Wang Yu Wei, Mr. Li Wei and Mr. Qiu Ji Cheng.

On behalf of the board
Datasys Technology Holdings Limited
Chen Jun
Chairman

Beijing, the PRC, 26 August 2005