



SINOSTRIDE

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED
中程科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Half-Yearly Report

2002

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 of the Stock Exchange 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 Stock 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 websites in order to obtain up-to-date information on GEM-listed issuers.

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 Sino Stride Technology (Holdings) Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Sino Stride 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 announcement 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.

INTERIM RESULTS

The board of Directors (the “Board”) of Sino Stride Technology (Holdings) Limited (the “Company”) presents the condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2002 and the comparative figures for the six months ended 30th June, 2001 as follows:

Condensed Consolidated Profit and Loss Account

	Notes	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Turnover	2	25,638	19,212	44,789	22,266
Cost of sales		(17,760)	(13,027)	(30,156)	(14,927)
Gross profit		7,878	6,185	14,633	7,339
Other revenue	2	99	19	179	39
Selling and distribution costs		(1,004)	(959)	(2,899)	(1,615)
Administrative costs		(3,168)	(2,084)	(5,570)	(3,724)
Other operating costs		(176)	–	(118)	(19)
Profit from operating activities	3	3,629	3,161	6,225	2,020
Finance costs	4	(463)	(176)	(717)	(311)
Share of losses of an associate		–	(9)	–	(15)
Profit before taxes and minority interests		3,166	2,976	5,508	1,694
Taxation	5	(503)	(298)	(1,006)	(171)
Minority interests, net of taxes		(419)	(213)	(496)	(68)
Net profit from ordinary activities attributable to shareholders	6	2,244	2,465	4,006	1,455
Earnings per share – Basic	8	RMB0.003	RMB0.003	RMB0.005	RMB0.002

Condensed Consolidated Balance Sheet

		(Unaudited) At 30th June, 2002 RMB'000	(Audited) At 31st December, 2001 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		4,999	4,970
Goodwill		5	10
Interest in an associate		–	–
Long term investment		500	500
Intangible assets		460	520
Total non-current assets		5,964	6,000
Current assets			
Cash and cash equivalents		7,716	12,863
Pledged deposits with financial institutions		2,760	2,494
Trade receivables	10	14,395	11,932
Prepayments, deposits and other receivables		20,316	11,650
Unbilled amount due from customers for contract works		52,017	33,581
Inventories		3,794	2,660
Due from holding company		–	66
Total current assets		100,998	75,246
Current liabilities			
Bank loans	11	32,000	16,000
Trade and notes payable	12	22,245	20,336
Accrued liabilities and other payables		25,640	14,963
Tax payable		926	1,665
Total current liabilities		80,811	52,964
Net current assets		20,187	22,282
Total assets less current liabilities		26,151	28,282

**Condensed Consolidated Balance Sheet (continued)**

		(Unaudited) At 30th June, 2002 RMB'000	(Audited) At 31st December, 2001 RMB'000
	<i>Notes</i>		
Non-current liabilities			
Minority interests		4,895	3,662
Net assets		21,256	24,620
Represented by:			
Share capital	15	-	-
Reserves	15	21,256	24,620
Shareholders' equity		21,256	24,620

Condensed Consolidated Cash Flow Statements

	(Unaudited) Six months ended at 30th June, 2002 RMB'000	(Unaudited) Six months ended at 30th June, 2001 RMB'000
Net cash (outflow)/inflow from operating activities	(19,697)	1,310
Net cash (outflow) from investing activities	(922)	(748)
Net cash (outflow)/inflow before financing	(20,619)	562
Net cash inflow from financing	15,472	1,735
(Decrease)/increase in cash and cash equivalents	(5,147)	2,297
Cash and cash equivalents at the beginning of period	12,863	3,660
Cash and cash equivalents at the end of period	7,716	5,957
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	7,716	5,957

Condensed Consolidated Statement of Changes in Equity

	(Unaudited)					(Audited)	
	Six months ended 30th June, 2002					Year ended 31st December, 2001	
	Share capital	Contribution surplus	Statutory surplus	Enterprise expansion fund	Retained profits	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As beginning of period/year	–	13,499	1,149	315	9,657	24,620	11,466
Net profit for the period	–	–	–	–	4,006	4,006	13,713
Transfer to reserves	–	–	37	37	(74)	–	–
Dividends	–	–	–	–	(7,370)	(7,370)	(559)
As end of period/year	–	13,499	1,186	352	6,219	21,256	24,620

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Corporate reorganisation, basis of preparation and principal accounting policies

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law (2001 Second Revision) of the Cayman Islands on 12th December, 2001. Pursuant to a corporate reorganization (the “Reorganisation”) in preparation for the listing of the Company’s shares on GEM, the Company became the ultimate holding company of the Group on 16th January, 2002. Details of the Reorganisation are set out in the Company’s prospectus (the “Prospectus”) dated 23rd July, 2002. The Company’s shares have been listed on GEM since 29th July, 2002.

The condensed consolidated financial statements set out above, include the consolidated results, movements in equity, cash flows and balance sheets of the Group as if the Reorganisation has been effective on 1st January, 2001 rather than from the date on which the Reorganisation was completed. The results of subsidiaries or an associate acquired or disposed of during the periods under review are consolidated from or to their effective dates of acquisition or disposal, respectively. For the purpose of presenting the condensed consolidated results of the Group during the periods under review, the results of Hangzhou Vico Software Engineering Co., Ltd. and Hangzhou Sino Stride Xingda Intelligent Information Technology Co., Ltd., former subsidiaries of the Company (hereinafter referred to as the “Disposed Operations”), which the Group had effective equity interests of 44.5% and 63%, respectively, and were disposed of to independent third parties in the second half of the year 2001, have been excluded and presented separately. Further details of the Disposed Operations are set out in note (6) of Notes to these condensed consolidated interim financial statements (“Notes to the Accounts”) below. All material intra-Group transactions and balances are eliminated on consolidation.

The principal accounting policies adopted by the Group in arriving at the financial information described in this interim financial statements are set out below:

- (a) These condensed consolidated interim financial statements have been prepared under the historical cost convention in accordance with International Accounting Standards and Interpretations of the Standing Interpretations Committee (collectively as “IAS”).

1. Corporate reorganisation, basis of preparation and principal accounting policies (continued)

- (b) These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).
- (c) The accounting policies and basis of preparation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Company’s Accountants’ Report set out in the Prospectus.

2. Turnover and revenue

Turnover represents the net invoiced value of system hardware sold, net of value-added tax, after allowances for returns, trade discounts and various types of revenue taxes where applicable, and system services rendered. All significant intra-group transactions are eliminated on combination.

	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Turnover	25,638	19,212	44,789	22,266
Interest income	12	3	25	9
Other revenue	87	16	154	30
Total revenue	25,737	19,231	44,968	22,305

3. Profit from operating activities

	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
This is arrived at after charging/ (crediting):				
Auditors' remuneration	7	–	17	10
Amortisation of intangible assets	30	20	60	20
Amortisation of goodwill	3	6	5	11
Bank interest income	(12)	(3)	(25)	(9)
Depreciation	332	233	651	538
Operating lease rentals in respect of buildings	187	38	247	75
Staff costs:				
Retirement costs	90	28	155	65
Accommodation benefits	53	21	93	45
Other staff costs	1,148	994	2,444	1,815
	1,291	1,043	2,692	1,925
Research and development costs	50	203	50	203

4. Finance costs

	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Interest on bank loans repayable within one year	275	145	528	265
Bank charges and commissions	188	31	189	46
	463	176	717	311

5. Tax

	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
PRC income tax:				
– Group	503	298	1,006	171
– Associate	–	–	–	–
	503	298	1,006	171

No provision for Hong Kong profits tax has been made, as the Group had no assessable profits arising in Hong Kong during the periods under review.

No provision for deferred tax has been made, as the net effect of all temporary timing differences is immaterial.

According to the Income Tax Law of the People's Republic of China (the "PRC"), Zhejiang Sino Stride Technology Co., Ltd. ("Zhejiang Sino Stride"), a sino-foreign equity joint venture subsidiary, which is qualified as an advanced technology enterprise and operates in one of the approved high and new technology industrial development zones of the PRC, was granted a 3 years extension of tax relief from 1st January 1999 to 31st December 2001 and was subject to a corporate tax rate of 10% during the extended period. From 2002 onwards, Zhejiang Sino Stride is to be taxed at the rate of 15% as the preferential income tax treatment was expired.

Hangzhou Sino Stride Xingda Computer System Co., Ltd. ("Xingda Computer"), a PRC subsidiary, which is also qualified as an advanced technology enterprise and operates in one of the approved high and new technology industrial development zones of the PRC, is to be taxed at a corporate tax rate of 15% from 2002 onwards. In 2001, Xinda Computer was exempted from corporate income tax of the PRC under the relevant tax relief policy.

The applicable corporate income tax rate of Hangzhou Sino Stride Yida System Technology Co., Ltd. ("Yida System"), a PRC subsidiary, is 33% based on existing legislation, interpretations and practices in respect thereof.

There are no significant potential deferred tax liabilities for which provision has not been made.

6. Net profit from ordinary activities attributable to shareholders

The condensed consolidated results of the Group during the periods ended 30th June 2001 and 2002 are presented by excluding the results of the Disposed Operations. Had the results of the Disposed Operations been included in the Group's results during the periods under review, the Group's condensed consolidated net profit from ordinary activities attributable to shareholders would have been as follows:

	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Consolidated net profit from ordinary activities attributable to shareholders	2,244	2,465	4,006	1,455
Net loss of the Disposed Operations attributable to the Group*	-	(141)	-	(322)
Consolidated net profit from ordinary activities attributable to shareholders, including the financial results of the Disposed Operations	2,244	2,324	4,006	1,133

6. Net profit from ordinary activities attributable to shareholders (continued)

* The net loss of the Disposed Operations throughout the periods under review from 1st January, 2001 or the respective dates of their incorporation/establishment, where this is a shorter period, to 30th June, 2001 is further analyzed as follows:

	(Unaudited) Three months ended 30th June, 2001 <i>RMB'000</i>	(Unaudited) Six months ended 30th June, 2001 <i>RMB'000</i>
Turnover	80	90
Cost of sales	(4)	(6)
Gross profit	76	84
Other revenue	1	2
Selling and distribution costs	(81)	(180)
Administrative costs	(230)	(463)
Other operating costs	-	-
Loss from operating activities	(234)	(557)
Financial costs	-	-
Loss before tax	(234)	(557)
Taxation	-	-
Loss before minority interests	(234)	(557)
Minority interests	93	235
Net loss of the Disposed Operations	(141)	(322)

7. Dividends

The dividends declared by a subsidiary of the Company to its then shareholders during the periods under review were as follows:

	Three months and six months period ended 30th June	
	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Zhejiang Sino Stride	7,370	559

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2002 (2001: Nil).

8. Earnings per share

Earnings per share for the three months and six months ended 30th June, 2002 have been computed by dividing unaudited net profit from ordinary activities attributable to shareholders of approximately RMB2,244,000 and RMB4,006,000 respectively (Three months and six months ended 30th June, 2001: approximately RMB2,465,000 and RMB1,455,000 respectively) to 810,000,000 shares in issue immediately prior to the issue to the public in a manner similar to a stock split and on the assumption that 810,000,000 shares had been in issue throughout the periods under review, comprising 1,050 shares in issue as at the date of the Prospectus and 809,998,950 shares to be issued pursuant to the capitalisation issue, as described in the paragraph headed "Written resolutions of all shareholders of the Company passed on 16th July, 2002" in Appendix V to the Prospectus dated 23rd July, 2002. Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in existence during the periods ended 30th June, 2002 (2001: Nil).

9. Related party transactions

During the periods under review, the Group had the following material transactions with related parties:

(a) Recurring transactions

1. During the periods under review, bank loans of the Group guaranteed by a related company were as follows:

	(Unaudited)	
	Six months period ended	
	30th June,	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Zhejiang Golden Prospectus Electronic Industrial Co., Ltd. ("Zhejiang Golden") a former associate of the Group	–	3,500

The Group was not required to pay a fee to Zhejiang Golden for the guarantee given. Zhejiang Golden ceased to be an associate of the Group since 5th December, 2001 following the disposal of the Group's 25% equity interest in Zhejiang Golden.

9. Related party transactions (continued)

(a) Recurring transactions (continued)

2. For the period ended 30th June, 2001, purchases of parts and equipment and subcontracting fees received or receivable from Zhejiang Golden amounted to Nil and RMB240,000, respectively. The transaction prices were determined by agreement, which approximated the prevailing market prices.
3. On 19th April, 2002, Sino Stride Holdings Limited, a company beneficially owned by Mr. Chau Chit, Ms. Ting Hiu Wan and Mr. Wong Wai Tin, as to 50%, 30% and 20%, respectively, as landlords, entered into two leases with the Company as tenant in respect of the office premises and living quarters for Directors in Hong Kong. Total rental expenses in respect of these offices and quarters incurred for the six months ended 30th June, 2002 amounted to RMB127,200 (2001: Nil).

(b) Non-recurring transactions

1. On 21st February, 2001, Xingda Computer acquired 60,000 shares in Yida System, representing 3% of the equity interest in Yida System from Mr. Wang Ning, a Director of the PRC subsidiaries, at its original investment cost of RMB60,000.
2. On 21st February, 2001, Xingda Computer disposed of 350,000 shares in Yida System, representing 17.5% of the equity interest in Yida System at its original investment cost of RMB350,000, to Mr. Qiao Kai, a Director of the PRC subsidiaries.

The amounts due from/to Directors arose from these transactions have been fully settled as at 31st December 2001.

The Directors confirmed that the above related parties transactions were carried out in the ordinary course of business and at normal commercial terms.

10. Trade receivables

The ages of the trade receivables are analysed as follows:

	(Unaudited) 30th June, 2002 RMB'000	(Audited) 31st December, 2001 RMB'000
Outstanding balances with ages:		
Within 30 days	4,713	2,325
Between 31 to 90 days	1,875	2,114
Between 91 to 180 days	945	4,523
Between 181 to 360 days	5,526	314
Between 361 to 540 days	1,336	2,656
	14,395	11,932

The Group generally gives 30 to 120 days' credit terms to its clients for each progress billing (for details of settlement methods, please refer to the Prospectus) based on certain criteria, such as the length of respective business relationship with individual clients and their payment history, background and financial strength. The Group adopts stringent control and supervision over their credit terms granted to clients by reviewing the credit terms for each client periodically by the Directors.

The management of the Group reviews the bad and doubtful debt provision on a regular basis. Provision will be made on a specific basis following the identification of any doubtful debt.

11. Bank loans

		(Unaudited) 30th June, 2002 RMB'000	(Audited) 31st December, 2001 RMB'000
Unsecured	(i)	–	1,000
Guaranteed	(ii)	32,000	15,000
		32,000	16,000
Classified as current liabilities repayable within one year		32,000	16,000

- (i) The unsecured bank loans bear interest at 5.85% per annum and are repayable in less than 6 months.
- (ii) Bank loans in the amount of RMB3,000,000 (2001: RMB4,000,000) are guaranteed by Zhejiang Golden, bear interest at 5.85% (2001: 5.85% to 7.02%) per annum and are repayable in less than one year. Bank loans in the amount of RMB5,000,000 (2001: RMB5,000,000) are guaranteed by Hangzhou Hi-Tech Investment and Assurance Co., Ltd., a company in which the Group has an effective equity interest of 3.33%, bear interest at 5.31% to 7.02% (2001: 5.85% to 6.69%) per annum and are repayable in less than one year. Bank loans in the amount of RMB8,000,000 (2001: Nil) are guaranteed by Xingda Computer, bear interest at 5.04% to 5.544% (2001: Nil) per annum and are repayable in less than one year. Bank loans in the amount of RMB16,000,000 (2001: Nil) are guaranteed by Zhejiang University Logistics Services Corporation, a company wholly-owned by Zhejiang University, bears interest at 5.04% per annum and is repayable in less than one year.

12. Trade and notes payable

The ages of the trade and notes payable are analysed as follows:

	(Unaudited) 30th June, 2002 RMB'000	(Audited) 31st December, 2001 RMB'000
Outstanding balances with ages:		
Within 30 days	7,292	6,722
Between 31 to 90 days	5,866	6,431
Between 91 to 180 days	6,193	5,853
Between 181 to 360 days	2,871	936
Between 361 to 540 days	23	394
	22,245	20,336

13. Segmental information

The Group's turnover and profit for the periods ended 30th June, 2001 and 2002 were mainly derived from system integration and development services provided to domestic customers. The principal assets employed by the Group are located in the PRC. Accordingly, no segmental analysis by business and geographical segment is provided for the periods ended 30th June, 2001 and 2002.

14. Commitments

The Group had the following commitments:

	(Unaudited) 30th June, 2002 RMB'000	(Audited) 31st December, 2001 RMB'000
Future minimum lease rentals payables under non-cancelable operating leases expiring:		
Within one year	250	501
After one year but no more than five years	2,406	1,842
	2,656	2,343

The Group did not have any other significant capital expenditure and commitments as at 31st December, 2001 and 30th June, 2002.

15. Reserves

Movement in the reserves of the Group were as follows:

	Share capital	Contribution surplus	Statutory surplus	Enterprise expansion fund	Retained profits	Year ended	
						31st December, 2001	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Total	Total
As beginning of period/year	-	13,499	1,149	315	9,657	24,620	11,466
Net profit for the period	-	-	-	-	4,006	4,006	13,713
Transfer to reserves	-	-	37	37	(74)	-	-
Dividends	-	-	-	-	(7,370)	(7,370)	(559)
As end of period/year	-	13,499	1,186	352	6,219	21,256	24,620

(a) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, certain PRC subsidiaries are required to allocate 5% to 10% of its profit after tax, as determined in accordance with PRC GAAP applicable to the PRC subsidiaries, to the statutory surplus reserve ("SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiaries, and part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) Enterprise expansion fund

In accordance with the Company Law of the PRC, certain PRC subsidiaries are required to transfer 5% to 10% of its profit after tax, as determined in accordance with PRC GAAP applicable to the PRC subsidiaries, to their enterprise expansion fund ("EEF"), which is a non-distributable reserve other than in the event of the liquidation of these subsidiaries. EEF must be used for production and operation expansion purposes.

16. Subsequent events

On 26th July, 2002, the Placing and the Capitalisation of the Company as set out in the Prospectus dated 23rd July, 2002 had been completed. Dealings in the shares of the Company on GEM was commenced on 29th July, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the six months ended 30th June, 2002, the turnover of the Group amounted to approximately RMB44.8 million, representing an increase of approximately 101 per cent over the corresponding period in 2001. The factors attributable to the growth in the turnover of the Group for the period ended 30th June, 2002 include (i) increase in the Group's contract size and number of clients resulting from the growing popularity of intelligent building system integration solutions in the PRC; and (ii) revenue generated from e-HIS and e-LIS which started to launch to the market in August 2001 and December 2001 respectively. Accordingly, no revenue was contributed from e-HIS and e-LIS during the period ended 30th June, 2001.

Operating profit before tax and minority interests of the Group as a percentage of turnover increased from 8% to 12%, as compared with the corresponding period in 2001. This is mainly due to that fixed overheads included in selling and distribution expenses and administration expenses did not rise in line with the increase in turnover.

For the three months ended 30th June, 2002, turnover of the Group increased to approximately RMB25.6 million, with a 33% growth rate when comparing to the corresponding period in 2001. Operating profit before tax and minority interests of the Group as a percentage of turnover reduced from 15% to 12%, as compared with the corresponding period in 2001, as a result of additional expenses incurred in setting up new Hong Kong office and its operating expenses under the three months period ended 30th June, 2002.

Liquidity, financial resources and debt ratio

The Group generally finances its operations with internally generated financial resources and short-term bank loans. As at 30th June, 2002, the Group had outstanding bank borrowings of RMB32 million which are unsecured and guaranteed by independent third parties other than those guaranteed by Xingda Computer. For details of these bank borrowings, please refer to note 11 of Notes to the Accounts. During the periods under review, the Group had not created any mortgage.

As at 30th June, 2002, the Group held cash and cash equivalents amounting to RMB7,716,494.

The Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 30th June, 2002, the Group's gearing ratio was 30% (2001: 20%). The increase in gearing ratio was due to the additional borrowings for the purpose of the Group's business expansion.

The Group adopts a conservative treasury policies in cash and financial management. To achieve better risk control and minimize cost of funds, the Group's treasury activities are centralized. Cash is generally placed on deposits, mostly denominated in Renminbi. The Group's liquidity and financing arrangements are reviewed regularly.

Significant investments

The Group did not hold any significant investment as at 30th June, 2002.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the period ended 30th June, 2002.

Foreign currency risk

During the periods under review, the Group did not have significant exposure to market risk for changes in foreign currency exchange rates as a majority of the Group's monetary assets and liabilities are denominated in Renminbi.

Contingent liabilities

As of the date of this interim results announcement and at 31st December, 2001, the Board is not aware of any material contingent liabilities.

Segmental information

Please refer to note 13 of the Notes to the Accounts for details.

Charge on assets

Other than the Group's bank deposits of RMB2,760,034 (as at 31st December, 2001: RMB2,494,050) had been pledged to financial institutions for the issuance of letter of credits as at 30th June, 2002, the Group did not have any charge on its assets.

Employees

As at 30th June, 2002, the Group had 295 (2001: 286) employees. Total staff costs amounted to approximately RMB2.7 million for the six months ended 30th June, 2002, representing an 42% increase from approximately RMB1.9 million for the corresponding period of the previous year. The increase in staff costs was mainly due to the employment of more staff to cope with the business expansion of the Group. The Board believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees are remunerated according to their performance and working experience. In addition to basic salaries and retirement scheme, staff benefits include performance bonus.

Future plans for material investments or capital assets

The Group intends to pursue strategic acquisitions of and/or investments in system integration business and relevant system software development business to strengthen or complement the Group's existing business. Up to the date of this interim results announcement, no such acquisitions and/or investments targets have been located by the Group. Accordingly, the Group did not have any details of future plan for material investments or capital assets as at 30th June, 2002.

OPERATIONS REVIEW

During the periods under review, the Group has made a number of achievements in the area of business development. The Group applied for and successfully obtained "Intelligent Building Project Specialized Contractor Grade A Qualification". Zhejiang Sino Stride and the Group were recognised as one of the Top Ten Software Enterprises of Zhejiang Province in 2002 and Software Enterprise under the Encouraging Policies respectively by Zhejiang Provincial Department of Information Industry.

In January, 2002, Singapore Technologies Electronics Limited (“ST Elect”), a wholly-owned subsidiary of Singapore Technologies Engineering Limited whose shares are listed on the Singapore Exchange Securities Trading Limited, entered a share purchase agreement with Zhejiang Sino Stride whereby ST Elect will become the holder of 10% of the issued share capital of the Company immediately upon completion of the listing of the Group. ST Elect is one of the largest electronic system houses in Singapore, specialising in traffic control systems, intelligent rail control systems, communication systems, microwave systems, intelligent building management system and real time software systems. In addition to this strategic investment, Zhejiang Sino Stride and ST Elect also entered into a strategic co-operation agreement dated 11th January, 2002 and a relevant supplemental agreement dated 13th March, 2002 whereby:

- (1) both parties agreed to co-operate in large scale projects in the PRC;
- (2) Zhejiang Sino Stride agreed to leverage on the existing products such as GPS and GIS and technological know-how of ST Elect to increase the Group’s product range and services; and
- (3) Zhejiang Sino Stride agreed to select certain products or software from ST Elect for development and modification to meet the needs of the PRC market.

In relation to research and development, the Group and College of Biomedical Engineering and Instrument Science of Zhejiang University entered into a technology development agreement for the research and development of hospital medical information technology and systems in January 2002. At the same time, the Group obtained Registration Certificate of Software Product from Zhejiang Provincial Department of Information Industry for Price Announcement and Monitoring Systems V2.0 for Medicines and Medical Services. In May, the Group’s Sino Stride Digital Government System Application Software V1.0 passed the tests conducted by Zhejiang Provincial Testing Institute of Electronic Product.

For the periods under review, the Group completed 5 projects and was engaged in 63 projects of intelligent building system integration solutions. Meanwhile, the Group completed 1 project and was engaged in 64 projects of system software. In addition, the Group won the bid for the construction projects of Ningbo International Convention and Exhibition Centre, National Revenue Bureau of Suzhou Industrial Park and Administration Centre of Anji County of Zhejiang Province. Among these projects, the project in respect of Ningbo International Convention and Exhibition Centre is one of the key projects of Ningbo. To further develop the Group's business, the Group established a branch office in Beijing in January 2002.

PROSPECTS

In light of the 2008 Beijing Summer Olympic Games, PRC's entry to the WTO and PRC's continuous economic growth, the Board is of the opinion that the Group will have a considerable amount of business opportunities in the business sector of the PRC's intelligent building system integration solutions. Moreover, following the accession of the PRC to the WTO as mentioned above, there will be a necessity for the government organisations, public agencies, medical institutions, private enterprises and education institutions to be in line with their counterparts in the rest of the world. Accordingly, there will be a potential growth in the computer network system integration solutions and system software market in the PRC.

In order to capture the potential market growth, the Group will continue to intensify its marketing and promotion efforts, establish branches and/or subsidiaries in various provinces and place more emphasis on the development of its products. The Group also intends to pursue strategic acquisition of and/or investments in system integration business and relevant system software development business in the future if such opportunities arise to strengthen and complement the Group's existing business. Meanwhile, the Group would continue to explore the possibility of various forms of alliance with reputable enterprises and research institutions in order to further enhance its competitiveness in the industry.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As this interim results announcement covers activities up to 30th June, 2002 only, no further update is applicable for all business objectives stated in the paragraph headed “Statement of business objectives” of the Company’s Prospectus which was issued on 23rd July, 2002.

OTHER INFORMATION

DIRECTORS’ INTERESTS IN EQUITY OR DEBT SECURITIES

As at 29th July, 2002, the date of listing of the Company’s shares on the GEM, the interests of the Directors in the shares of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Name of Directors	Corporate Interests	Personal/Family/ Other Interests	Total	Percentage of issued Shares
Mr. Chau Chit (<i>note 1</i>)	648,000,000	–	648,000,000	60
Mr. Wong Wai Tin (<i>note 2</i>)	129,600,000	–	129,600,000	12

Notes:

- These shares are held by Mega Start Limited, 50% and 30% of the issued share capital of which are owned by Mr. Chau Chit and Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, respectively.
- These shares are held by Mega Start Limited 20% of the issued share capital of which is owned by Mr. Wong Wai Tin.

DIRECTORS’ RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as disclosed above, none of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right as at 29th July, 2002.

SUBSTANTIAL SHARHOLDERS' INTERESTS

At 29th July, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows the Company had been notified of the following substantial shareholders' interests, being interest in 10% or more of the Company's issued share capital.

Name of shareholders	Number of ordinary shares held	Percentage of issued share capital
Mega Start Limited (<i>Note 1</i>)	648,000,000	60%
ST Elect (<i>Note 2</i>)	108,000,000	10%

Notes:

1. Mega Start Limited is an investment holding company incorporated in the BVI, the issued share capital of which is beneficially owned as to 50%, 30% and 20%, by Mr. Chau Chit, Ms Ting Hiu Wan and Mr. Wong Wai Tin, respectively. Pursuant to the GEM Listing Rules, Mega Start Limited, Mr. Chai Chit, Ms Ting Hiu Wan and Mr. Wong Wai Tin are also regarded as initial management shareholders. On 26th July, 2002, 16,200,000 shares of the Company held by Mega Start Limited, which have been included as part of the 648,000,000 shares as stated above, were lent to South China Securities Limited pursuant to the stocks borrowing arrangement set out in the Prospectus dated 23rd July, 2002.
2. ST Elect is a wholly-owned subsidiary of Singapore Technologies Engineering Limited whose shares are listed on the Singapore Exchange Securities Trading Limited. As disclosed in the annual report of Singapore Technologies Engineering Limited for the year ended 31st December 2001 and published in March 2002, its single largest shareholder at that time was Singapore Technologies Pte Ltd. ST Elect is principally engaged in the system integration, core product design and development and maintenance operations in industrial automation, simulation and defence electronics. Pursuant to the GEM Listing Rules, ST Elect and Singapore Technologies Engineering Limited are also regarded as initial management shareholders. Pursuant to the ST Elect Share Purchase Agreement, ST Elect is entitled to appoint at least one but not more than such number of Director(s) that would be proportional to the shareholding of ST Elect in the Company at any time (and from time to time) prior to the listing of the Company's shares on GEM. Mr. Ng Chong Khim of ST Elect has been appointed on 15th March, 2002 as a non-executive Director. Mega Start Limited and ST Elect currently have no intention for ST Elect to be involved in any management function of the Company.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance as at 29th July, 2002.

MANAGEMENT SHAREHOLDERS' INTERESTS

As at 29th July, 2002, the following shareholders entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company and is able, as a practical matter, to direct or influence the management of the Company:

Name of shareholders	Number of ordinary shares held	Percentage of issued share capital
Mega Start Limited (<i>Note 1</i>)	648,000,000	60%
ST Elect (<i>Note 2</i>)	108,000,000	10%

Notes:

1. Mega Start Limited is an investment holding company incorporated in the BVI, the issued share capital of which is beneficially owned as to 50%, 30% and 20%, by Mr. Chau Chit, Ms. Ting Hiu Wan and Mr. Wong Wai Tin, respectively. Pursuant to the GEM Listing Rules, Mega Start Limited, Mr. Chau Chit, Ms. Ting Hiu Wan and Mr. Wong Wai Tin are also regarded as the substantial shareholders to whom the moratorium period applies. Each of Mr. Chau Chit, Ms. Ting Hiu Wan and Mr. Wong Wai Tin has undertaken with the Company, South China Capital Limited (as the sponsor), Partners Capital International Limited (on behalf of the underwriters) and the Stock Exchange that he/she will not dispose of (nor enter into any agreement to dispose of) any of his/her direct or indirect interest in the share capital of Mega Start Limited for a period of 12 months from the date on which dealings in the Company's shares on GEM commence. On 26th July, 2002, 16,200,000 shares of the Company held by Mega Start Limited, which have been included as part of the 648,000,000 shares as stated above, were lent to South China Securities Limited pursuant to the stocks borrowing arrangement set out in the Prospectus dated 23rd July, 2002.

2. ST Elect is a wholly-owned subsidiary of Singapore Technologies Engineering Limited whose shares are listed on the Singapore Exchange Securities Trading Limited. As disclosed in the annual report of Singapore Technologies Engineering Limited for the year ended 31st December 2001 and published in March 2002, its single largest shareholder at that time was Singapore Technologies Pte Ltd. ST Elect is principally engaged in the system integration, core product design and development and maintenance operations in industrial automation, simulation and defence electronics. Pursuant to the GEM Listing Rules, ST Elect and Singapore Technologies Engineering Limited are also regarded as substantial shareholders. Pursuant to the ST Elect Share Purchase Agreement, ST Elect is entitled to appoint at least one but not more than such number of Director(s) that would be proportional to the shareholding of ST Elect in the Company at any time (and from time to time) prior to the listing of the Company's shares on GEM. Mr. Ng Chong Khim of ST Elect has been appointed on 15th March, 2002 as a non-executive Director. Mega Start Limited and ST Elect currently have no intention for ST Elect to be involved in any management function of the Company. Singapore Technologies Engineering Limited has undertaken with the Company, South China Capital Limited (as the sponsor), Partners Capital International Limited (on behalf of the underwriters) and the Stock Exchange that, for a period of 12 months following the date on which dealings in the Company's shares on GEM commence, it will not sell, transfer or otherwise dispose of (nor enter into any agreement to sell, transfer or otherwise dispose of) such number of shares in the capital of ST Elect that would render its direct or indirect interests in the capital of ST Elect after such disposal to fall below 35 per cent. of its issued share capital.

OUTSTANDING SHARE OPTIONS

On 16th July, 2002, the Company conditionally adopted a share option scheme (the "Share Option Scheme"), the principal terms of which are set out in the section headed "Share Option Scheme" in appendix V to the Company's Prospectus dated 23rd July, 2002. Since the adoption of the Share Option Scheme, the Company has not granted any option under the Share Option Scheme to its Directors and employees.

SPONSOR'S INTEREST

As at 29th July, 2002, neither South China Capital Limited (the "Sponsor") nor its Directors or employees or associates, had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the Sponsor Agreement dated 23rd July, 2002, entered into between the Company and the Sponsor, the Sponsor has agreed to act as a sponsor to the Company for the purpose of the GEM Listing Rules for a fee from the date on which dealings in shares on GEM commence (i.e. 29th July, 2002) to 31st December, 2004 or until the Sponsor Agreement is terminated upon the terms and conditions set out therein.

DIRECTORS' INTEREST IN COMPETING BUSINESS

ST Electronics (Shanghai) Co., Ltd. ("STE Shanghai"), a wholly foreign-owned enterprise established by ST Elect, is also engaged in the business of intelligent building management systems and home automation systems in the PRC.

Save as disclosed above, none of the Directors or the substantial shareholders or the management shareholders of the Company or their respective associates had an interest in a business that competed with or might compete with the business of the Group as at 29th July, 2002.

AUDIT COMMITTEE

Pursuant to the GEM Listing Rules, an audit committee, comprising two independent non-executive Directors, namely Messrs. Cai Xiao Fu and Wu Ming Dong, was established on 16th July, 2002.

The written terms of reference which describe the authorities and duties of the audit committee were prepared in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-year reports and quarterly reports and to provide advice and comments thereon on the Board.

The audit committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2002.

BOARD PRACTICES AND PROCEDURES

Since the date of listing of the Group on 29th July, 2002, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.



SINOSTRIDE

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 29th July, 2002, there had been no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

By order of the Board

Chau Chit

Chairman

Hong Kong, 9th August, 2002