



SINO STRIDE

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

中程科技集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

Annual Report 2002

\* For identification only

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## REGISTERED OFFICE

Century Yard  
Cricket Square  
Hutchins Drive  
P. O. Box 2681 GT  
George Town  
Grand Cayman  
British West Indies  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3113, 3115 and 3116, 31st Floor  
New-Tech Plaza  
34 Tai Yau Street  
San Po Kong  
Kowloon  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

Sino Stride Building  
No. 594 Xi Xi Road  
Hangzhou  
The PRC  
PC: 310023

## COMPANY SECRETARY

Mr. Yim Wai Man AHKSA, FCCA

## QUALIFIED ACCOUNTANT

Mr. Yim Wai Man AHKSA, FCCA

## COMPLIANCE OFFICER

Mr. Chau Chit

## AUDIT COMMITTEE

Mr. Cai Xiao Fu  
Mr. Wu Ming Dong

## AUTHORISED REPRESENTATIVES

Mr. Chau Chit  
Mr. Wong Wai Tin

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

### **Bank of Butterfield International (Cayman) Ltd.**

Butterfield House  
Fort Street  
P. O. Box 705  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

### **Abacus Share Registrars Limited**

G/F Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

### **The Hongkong and Shanghai Banking Corporation Limited**

Tai Yau Street Branch  
26-28 Tai Yau Street  
San Po Kong  
Kowloon  
Hong Kong

### **Hangzhou City Commerce Bank**

Baochu Branch  
No. 87  
Baochu Road  
Hangzhou City  
The PRC

### **Shanghai Pudong Development Bank**

Wenhui Sub-branch  
Hangzhou Branch  
No. 98 Moganshan Road  
Hangzhou City  
The PRC

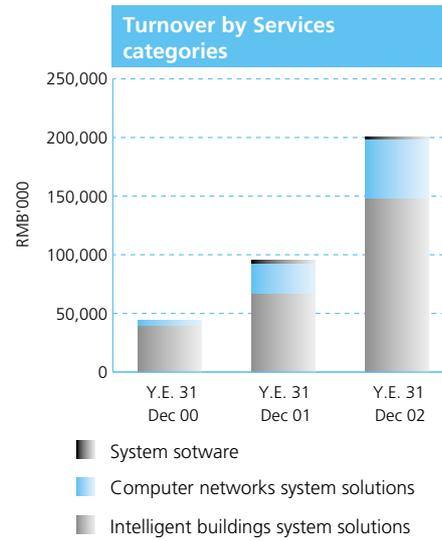
### **China Construction Bank**

Hangzhou Branch  
Hi-tech Banking Office  
No. 250  
Wensan Road  
Hangzhou City  
The PRC

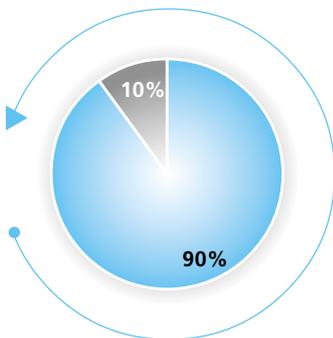
## AUDITORS

### **Ernst & Young**

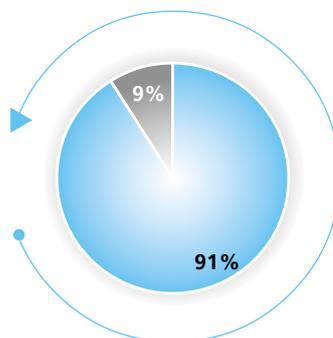
Certified Public Accountants  
15th Floor, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong



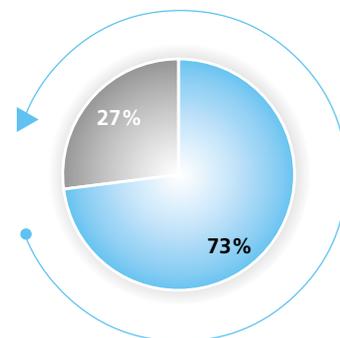
## TURNOVER BY LOCATIONS



Year 31 Dec 2000



Year 31 Dec 2001



Year 31 Dec 2002

- Business in Zhejiang Province
- Business outside Zhejiang Province

## TO OUR SHAREHOLDERS

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Sino Stride Technology (Holdings) Limited (the "Company") together with its subsidiaries (the "Group"). This is the first annual results of the Group since we listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("Stock Exchange") in July 2002. The Group's performance for the year 2002 has been even more promising and encouraging than previous year.

## FINANCIAL PERFORMANCE

The Group's turnover in year 2002 rose 110% to RMB200 million in comparison to RMB96 million in year 2001. This was attributed to the increase in the Group's contract value and number of clients resulting from the geographical expansions and enhancement of the quality and features of the Group's system integration solutions. Operating profit before tax and minority interests of the Group as a percentage of turnover increased to 20.2% in year 2002 compared to 17.2% in year 2001 because the increase in the Group's turnover was far much greater than the additional fixed overheads incurred in the newly established offices under cautious cost controls. The Group's profit attributable to shareholders was significantly improved to RMB32.7 million in year 2002 compared to RMB13.1 million in year 2001, representing a growth of 149%. As at 31 December 2002, the Group's gearing ratio, as expressed as a percentage of bank loans over total assets, was reduced from 20% in year 2001 to 15% in year 2002 after the placing of the Company's share on 29 July 2002.

## DIVIDEND

The Board proposed to pay a final dividend of HK\$1.2 cents per share to the shareholders whose names appear on the register of member on 9 May 2003. The dividend will be payable on or before 20 June 2003.

## BUSINESS REVIEW AND PROSPECT

Based upon its established reputation, the Group has expanded its market coverage and commenced operations in Yuennam, Chongqing, Beijing, Shanghai and Hong Kong through the establishment of branches and subsidiaries. Turnover generated from business outside Zhejiang Province contributed to approximately 27% of the total turnover of the Group in year 2002 compared to 9% in year 2001. Having devoted efforts on enhancement of the quality and features of its system integration solutions, the increases in the Group's turnover derived from intelligent building system integration solutions and computer network system integration solutions in year 2002 were 123% and 92% respectively. Leveraged on the Group's accumulated strong expertise and technical know-how in serving the system integration solutions market since 1997, we believe that the first mover position will continue to assist it in penetrating and building up its brand recognition in the market.

During the year under review, the Group has made a number of achievements in the area of business development such as Intelligent Building Project Specialized Contractor Grade A Qualification, Top Ten Software Enterprise of Zhejiang Province in 2002 and Software Enterprise under the Encouraging Policies of Zhejiang Provincial Department of Information Industry.

Under the cooperation with Zhejiang University, the research and development on digitized hospital systems was completed and a testing laboratory for the related systems has been established in Hangzhou. In addition to conducting testing function, this laboratory can also serve as a demonstration premise for marketing and promoting these systems.

With its endeavor in promoting the Group's urban traffic system integrations solutions, the Group has been commissioned to develop the vehicle monitoring and control system for the provincial government of Zhejiang Province and now on the testing stage.

The Group has been actively exploring opportunities to cooperate with reputable enterprises. During September 2002, the delegation of Singapore Technologies Electronics limited has visited the Group's headquarters to discuss wide-ranged business collaboration according to a strategic cooperation agreement between both parties dated 11 January 2002. On 3 January 2003, the Group has signed a distribution partner agreement with Enterasys Networks Singapore Pte Ltd. ("Enterasys"), which has solidified the Group's comparative advantage to obtain system hardware and licensed software from Enterasys with more favorable terms. The Group will continue to explore the possibility of various forms of alliance with reputable enterprises and research institution to further complement its existing business and to enhance its competitiveness in the industry.

Looking forward, with the PRC's continuous economic growth, the accession of the PRC to the WTO and 2008 Beijing Summer Olympic Games, the demand for intelligent building system integration solutions, computer network system integration solutions and system software will continue to grow with the prosperity of PRC property markets, increasing proportion of investments in intelligence buildings and necessity for well developed information network in PRC. Since the application of intelligent building technologies in the PRC is still at early stage, the growth potential is enormous.

Leverage on the Group's existing prominent market position established, strategic business collaboration with reputable enterprises, strength in research and development and commitment to enhancement of system integration solutions, especially its co-operation with Zhejiang University in relation to research and development to cater for the changing needs of customers, the Group will utilize its greatest endeavor to increase shareholders' value and consistently achieve solid results in the year ahead.

## APPRECIATION

On behalf of the Board, I would like to extend our gratitude to our suppliers, shareholders, investors and customers for their continued encouragement and support. I also take this opportunity to express my sincere thank to all the Group's employees for their efforts and contribution to the Group's encouraging performance throughout the year and for the team spirit which characterise the Group of today.

**Chau Chit**

*Chairman*

21 March 2003

## FINANCIAL REVIEW

### Overview

For the year ended 31 December 2002, the turnover of the Group amounted to approximately RMB200 million, representing an increase of approximately 110% over the year ended 31 December 2001. The growth in the turnover of the Group for the year ended 31 December 2002 was mainly attributed to the increase in the Group's contract value and number of clients resulting from the geographical expansion and enhancement of the quality and features of the Group's system integration solutions.

Operating profit before tax and minority interests of the Group as a percentage of turnover rose to 20.2% for the year ended 31 December 2002 compared to 17.2% for the year ended 31 December 2001. This is mainly because fixed overheads included in selling and distribution expenses and administration expenses did not increase proportionally with the increase in turnover. In addition, the increase in turnover was far much greater than the additional fixed overheads incurred in newly established offices. The percentage of selling and distribution expenses to turnover decreased from 6.35% in year 2001 to 4.65% in year 2002 while the percentage of administrative expenses to turnover decreased from 7.63% in year 2001 to 5.17% in year 2002.

### Liquidity, financial resources and debt ratio

The Group generally finances its operations with internally generated financial resources, short-term bank loans and part of the proceeds from the placing of the Company's shares on 29 July 2002. As at 31 December 2002, the Group had outstanding bank borrowings of RMB38 million which are unsecured and guaranteed by Zhejiang Sino Stride or Xingda Computer. During the year ended 31 December 2002, the Group did not create any mortgage.

As at 31 December 2002, the Group's Cash and cash equivalent amounted to approximately RMB96 million.

The Group adopts 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 and Hong Kong dollars. The Group's liquidity and financing arrangements are reviewed regularly.

### Gearing ratio

The Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 31 December 2002, the Group's gearing ratio was 15% (2001: 20%). The reduction in gearing ratio was mainly due to the fund injection of the proceeds from the placing of the Company's share on 29 July 2002.

### **Significant investments**

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the Group did not hold any significant investment as at 31 December 2002.

### **Material acquisitions and disposals of subsidiaries and affiliated companies**

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 December 2002.

### **Exchange rate risk**

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to the Group's operations in Hong Kong.

The Group has foreign currency risk as certain of its payables to suppliers and trade receivables are denominated in foreign currencies, principally United States dollars. Fluctuations in exchange rates of Hong Kong Dollars and Renminbi against foreign currencies could affect the Group's results of operations.

### **Contingent liabilities**

As of the date of this results announcement and at 31 December, 2002, the Board is not aware of any material contingent liabilities.

### **Segmental information**

Details of information relating to different business segments of the Group have been set out in note 4 to the financial statements.

### **Charge on assets**

Other than the Group's bank deposits of RMB2,106,580 (2001: RMB2,494,050) which had been pledged to financial institutions for the issuance of letter of credits, as at 31 December 2002, the Group did not have any charge on its assets.

### **Employees**

As at 31 December 2002, the Group had 330 (2001: 286) employees. Total staff costs increase to approximately RMB11.4 million from approximately RMB6.9 million in the last financial year ended 31 December 2001. The increase in staff costs was mainly due to the employment of more staff to cope with

the expansion of the Group's business. The Board believes that the quality of its employees is the most important factor in sustaining the Group's growth and enhancing 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 report, no such acquisitions and/or investments targets other than those mentioned in the paragraph "OPERATIONS REVIEW" have been located by the Group. Accordingly, the Group did not have any intended plans for material investments or capital assets as at 31 December 2002.

### **OPERATIONS REVIEW**

For the year ended 31 December 2002, the Group has made a number of achievements in the area of business development such as Intelligent Building Project Specialized Contractor Grade A Qualification, Top Ten Software Enterprise of Zhejiang Province in 2002 and Software Enterprise under the Encouraging Policies of Zhejiang Provincial Department of Information Industry. In addition, the Group won the bid for the projects of Shaoxing Opera Theatre, Xuzhou City People Court of Zhejiang Province, Wuxi 4th People Hospital, Ningbao convention center, Custom of Hangzhou, Yuennam Airport, Shenzhen Broadcasting Electricity Centre as well as new campus of Zhejiang University.

Based upon the Group's established reputation, the Group has expanded its market coverage and commenced operations in Yuennam, Chongqing, Beijing, Shanghai and Hong Kong through the establishment of branches and subsidiaries. Turnover generated from business outside Zhejiang Province contributed to approximately 27% of the total turnover of the Group in year 2002 as compared to 9% in year 2001. The Directors believe that with offices set up close to the Group's customers and locations of the projects, the Group will be able to ensure a thorough understanding of and prompt response to customers' demands, better management and control of its projects and more efficient after-sales services.

Under the cooperation with Zhejiang University, the research and development on digitized hospital systems was completed and a testing laboratory for the related systems has been established in Hangzhou. In addition to conducting testing function, this laboratory also serves as demonstration site for marketing and promoting these systems.

With its endeavour in promoting the Group's urban traffic system integrations, the Group has been commissioned to develop the vehicle monitoring and control system for the provincial government of Zhejiang Province and now on the testing stage.

In July 2002, Zhejiang Sino Stride has been assessed as an enterprise with AAA credit rating by the relevant government organization in Zhejiang Province. Zhejiang Sino Stride is the only one enterprise engaging in provision for intelligent building system integration solutions and computer system network integration solutions in Hangzhou that has achieved such credit rating. In addition, Xingda Computer and Yida System have also been assessed as the enterprises with AA credit rating.

On 13 September 2002, the Company increased its equity interest in Zhejiang Sino Stride from 90% to 97.5% by making a further capital contribution through a wholly-owned subsidiary of the Company, Sino Stride (BVI) Limited, in the amount of RMB45 million pursuant to an approval granted by the relevant office of the Ministry of Foreign Trade and Economic Co-operation of the PRC. In doing so, the Group deployed part of the funds raised from the placing of the Company's shares on 29 July 2002 for implementing its business plan as set out in the Prospectus. Furthermore, from the experiences of Zhejiang Sino Stride, some of its potential customers require that only companies with registered capital over RMB50,000,000 could bid for and engaged in larger scale projects. As such, the capital injection of RMB45 million into Zhejiang Sino Stride would strategically position the Group to capture the market potential in the field of development and provision of system integration solutions for larger scale projects in the PRC in the future.

In addition, Zhejiang Sino Stride invested the sum of RMB2,000,000 into a newly formed company namely "National Software Industrial Base of Hangzhou Limited" 杭州國家軟件產業基地有限公司 by acquiring 10% stake in this company during September 2002. The principal activities of this company are to plan, develop and minister software enterprise foundation bases and provide related auxiliary services thereto. As at 31 December 2002, this company has not commenced any business.

During December 2002, Hangzhou Sino Stride Xingda Computer System Co., Ltd ("Xingda") and Hangzhou Sino Stride Yida System Technology Co., Ltd ("Yida") invested RMB700,000 and RMB300,000 respectively in a newly formed company namely "Hangzhou Sino Stride Hospital Yida System Technology Co., Ltd" 杭州中程興達醫療設備有限公司. Xingda and Yida own 70% and 30% respectively of the equity interest in this company. The principal activity of this company is to supply of medical equipment and system. As at 31 December 2002, this company has not commenced any business.

To realize the synergy effects from a strategic cooperation agreement dated 11 January 2002 entered into between Zhejiang Sino Stride and Singapore Technologies Electronics Limited ("ST Elect"), delegation of ST Elect has visited the Group's headquarters in Zhejiang Province to discuss the details of wide-ranged business collaboration issues in September 2002.

On 3 January 2003, the Group has signed a distribution partner agreement with Enterasys Networks Singapore Pte Ltd ("Enterasys") which enables the Group to obtain system hardware and licensed software from Enterasys with more favorable terms. The Group will continue to explore the possibility of various forms of alliance with reputable enterprises and research institution to further complement its existing business and to enhance its competitiveness in the industry.

## PROSPECTS

In light of the 2008 Beijing Summer Olympic Games, PRC's entry to the WTO and PRC's continuous economic growth, the Board believes that the Group will have a considerable amount of business opportunities in PRC's intelligent building system integration solutions industry. Through its Beijing branch, the Group is actively exploring business collaboration opportunities in relation to the Beijing 2008 Summer Olympic Games. 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 the system software markets 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 progressively transform any alliance cooperation plan with ST Elect into action to be benefited from leveraging on the technological know-how of ST Elect in developing new products.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual business progress of the Group compared with the business objectives set out in the Prospectus:

### **Business objectives for the Review Period up as set out in the Prospectus**

#### *Geographical expansion*

Leverage on the branches and/or subsidiaries in Jiangsu Province, Shenzhen and Beijing to develop intelligent building system integration solutions market in southern China, eastern China and northern China, and to explore opportunities to participate in intelligent building system integration solutions market for the preparation of the 2008 Summer Olympic Games in Beijing

### **Actual business progress in the Review Period**

During the year, the Group has participated in 30 tenders of system integration solution projects outside Zhejiang Province in southern China, eastern China (except Zhejiang Province) and northern China. Through its Beijing branch, the Group is actively exploring business collaboration opportunities in relation to the Beijing 2008 Summer Olympic Games.

*Marketing and promotion*

Promote digital government system software to municipal authorities in Hangzhou

The Group has been continuously promoting the usage and training of digital government system software and document processing system software to municipal authorities in Hangzhou in respect of the Group has signed relevant agreements with the Zhejiang Chief Executive Information Center 浙江省行政首腦機關信息中心 and Zhejiang Industrial and Commercial Bureau 浙江省工商局.

Promote e-HIS and e-LIS to hospitals in Hangzhou

The Group has promoted e-HIS and e-LIS to 215 and 8 hospitals respectively.

Promote urban traffic system integration to traffic departments in Hangzhou

With its endeavor in promoting the Group's urban traffic system integrations, the Group has been commissioned to develop the vehicle monitoring and control system 車輛監控指揮及調度管理系統 (part of GPS and GIS projects) for the provincial government of Zhejiang Province and the system is at the testing stage now.

Promote traffic management software for light rail in Hangzhou

The Group and ST Elect have actively involved in light rail collaboration discussion meetings with the traffic authorities in Hangzhou which has recently established a new entity specializing in managing and executing this light rail project. During the year, the Group made use of the expertise and experience from ST Elect to share the experience in traffic managements systems and promoting the traffic management software to the above mentioned authorities.

Upgrade the designing capacity of the Group by acquiring relevant equipment, software and facilities.

The Group progressively adds new features and modifications to the existing equipment, software and facilities so as to enhance the designing capacity of the Group.

Upgrade the communication equipment and facilities between Hangzhou office and various branches and/or subsidiaries

The Group has already acquired the necessary communication equipment and facilities including fax machines, computers as well as office telephones for each branch and subsidiaries. Intranet website with individual e-mail addresses has been set up to facilitate communication between its headquarters and various branches and/or subsidiaries.

*Research and development*

*Product development of the Group*

Upgrade BFA software and conduct clinical testing and submit application to MOH for approval

The Group has completed its upgrading in BFA software and is conducting relevant clinical testing. During the year, the application of this software was in the preliminary stage and has not yet been submitted to MOH for approval.

Upgrade SSMIS and develop PACS

The Group has been continuously upgrading SSMIS and developing PACS.

Upgrade existing digital government system software including the installation of additional new modules and adjusting to new operation system

The Group has been continuously upgrading existing digital government system software.

Develop GPS and GIS and seek testing unit for GPS and GIS

The Group has completed certain phase of GPS and GIS development. As mentioned above, the Group has been commissioned to perform testing on the GPS and GIS project for the municipal government of Hangzhou.

Develop traffic management software for light rail

As at 31 December 2002, the Group has not yet commenced the development of traffic management software for light rail as the management considers that it would be more appropriate to start the relevant development when the Group's business collaboration with the traffic department in Hangzhou in respect of this light rail project is close to crystallize.

Develop electronic hospital information system platform

The Group has continuously developing electronic hospital information system platform which initially aims to integrate different system software such as e-HIS and e-LIS within a hospital and ultimately to provide a linkage with hospital information systems among hospitals in the PRC.

*Strengthening of research and development capacity*

Recruit research and development staff

During the period under review, the Group has successfully recruited new senior professional staff to join the research and development division of the Group.

Engage CMM assessment enterprise to assess the development progress of the Group's software and the training of the staff

Management has been actively searching for a CMM assessment enterprise with excellent services and reasonable price. The Group had numerous preliminary discussions or meetings with various enterprises and observe the relevant training programme during the year. As at 31 December 2002, the Group has not engaged any CMM assessment enterprise yet.

Improve the research and development system

Research and development department of the Group has been continuously figuring out the measures to improve the research and development system by considering acquisition of new research and development computer equipment and software.

*Co-operation with Zhejiang University*

*For the development of the related technologies for digitized hospital systems and community medical services system*

Complete the research and development on digitized hospital systems

The Group's completed the research and development on digitized hospital systems. A testing laboratory for the related systems has been established in the Group's Hangzhou office. In addition to conducting testing function, this laboratory can also serves as a demonstration site for marketing and promoting these systems.

*For the development of the related technologies for medical information technology and system*

Complete the principal part of medical image network system and develop EEG Holter

The Group completed the principal part of medical image network system and has started the development of EEG Holter during the period under review.

*Strategic investment and business collaboration*

Locate and start preliminary discussions with reputable companies and research institutions

The Group has established an "Investment Department" which is headed by the Chairman of the Group. The function of this department is to identify promising investment items and then undertake acquisition and/or joint venturing with the target entities. During the year, the Group has been engaging in numerous preliminary discussions with reputable companies and research institutions.

Preliminary negotiations with potential suitable acquisition and/or joint venture candidates and enter into agreements if appropriate

Numerous preliminary negotiations with potential candidates have been held by the Group. As at 31 December 2002, no acquisition and/or joint venture agreements have been signed by the Group except for those already disclosed in the paragraph "OPERATIONS REVIEW".

## DIRECTOR

### Executive Directors

**Mr. Chau Chit**, aged 37, is the chairman and chief executive officer of the Company. Mr. Chau is responsible for formulating the overall business planning and the corporate strategies of the Group. Mr. Chau graduated from Zhejiang University and was the chairman of the Graduate Student Union of Zhejiang University during his study of a master course in philosophy in 1987. He joined a foreign trade company in 1988 and had served as the import and export manager of the electrical and mechanical department. From 1997, he successively held the posts of vice-chairman and chairman of the board of Zhejiang Sino Stride. He has been serving as the president in Zhejiang Sino Stride since November 1998, and presently the vice-chairman and president of Zhejiang Sino Stride.

**Mr. Wong Wai Tin**, aged 36, is an executive Director and the vice chairman of Zhejiang Sino Stride. Mr. Wong joined the Group in June 1999 and is responsible for public relation and market planning of the Group. He studied at Hangzhou Radio and TV University majoring in finance in 1987 and worked for a commercial bank in China for five years. Prior to joining the Group, Mr. Wong was the general manager of an industrial and trading company and he manager of import/export division of a trading company.

**Mr. Zhang Xiao Feng**, aged 31, is an executive Director and the director and vice-president of Zhejiang Sino Stride. He is responsible for sales affairs of Zhejiang Sino Stride. Mr. Zhang joined the Group in July 1994 after graduating from the Material Science Department of Zhejiang University and held various managerial positions in marketing department and administration department, before being promoted to the current position. Mr. Zhang is well experienced in marketing and corporate governance.

### Non-executive Directors

**Mr. Wong Wai Kwan**, aged 35, is non-executive Director. Mr. Wong joined the Company as a non-executive Director in April 2002. Mr. Wong graduated from City University of Hong Kong with a bachelor degree in accountancy in 1992. He had worked in the Hong Kong and PRC offices of an international accounting firm for more than 7 years and is currently the managing director of Sino-Biz Corporate Advisory Co., Ltd. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants.

**Mr. Ng Chong Khim**, aged 45, is a non-executor Director. Mr. Ng joined the Company as a non-executive Director in March 2002. Mr. Ng is the deputy president of the corporate services and marketing department and the president of communication and sensor system group in Singapore Technologies Electronics Limited (the "ST Elect"). He holds a bachelor degree in electrical engineering and a master degree in science in industrial engineering from the National University of Singapore. He also hold a diploma in management studies from the Singapore Institute of Management and has completed the programme for management development at Harvard Business school. He has held senior management positions in various information technology and telecommunications companies before joining ST Elect in July 1997. He is also a member of various technology advisory committees in a number of academic institutions in Singapore.

#### Independent non-executive directors

**Mr. Cai Xiao Fu**, aged 63, is a non-executive Director. Mr. Cai joined the Company as a non-executive Director in February 2002. Mr. Cai graduated from Qing Hua University in Beijing in 1963. Mr. Cai joined Cranfield Institute in the United Kingdom in the 1980's as visiting Scholar and engaged in the research of aircraft simulation device and computer simulation. After returning to the PRC, Mr. Cai had served as the factory manager of an aviation factory and deputy director of Zhejiang Provincial Electronic Industry Bureau. At present, Mr. Cai is the Chairmen of Zhejiang Software Industry Association and is responsible for the development plan and implementation of Zhejiang's information technology industry including the telecommunications and computer software.

**Mr. Wu Ming Dong**, aged 36, is a non-executive Director. Mr. Wu joined the Company as a non-executive Director in April 2002. Mr. Wu is a partner at Bridgecross Limited, an advisory boutique for China-focused technology companies regarding capital market transactions. Prior to his current position, Mr. Wu was a vice president at an investment bank, responsible for leading executions of investment banking transactions for technology clients in the Asia Pacific region. Mr. Wu graduated with honour from Columbia Business School MBA programme in 1996.

#### SENIOR MANAGEMENT

**Mr. Wang Ning**, aged 34, is the director and vice-president of Zhejiang Sino Stride. Mr. Wang graduated from Zhejiang University in 1991 with a bachelor degree. Mr. Wang taught for 2 years in the Light and Electricity and Science Device Faculty of Zhejiang University. Mr. Wang joined the Group in September 1993 and is responsible for the Group's market planning, management of new products development and corporate development.

**Mr. Guo Wei**, aged 39, is the director and vice-president of Zhejiang Sino Stride and also the general manager of Xingda Computer. Mr. Guo graduated from Zhejiang University in 1991 with a master degree. Mr. Guo taught in the Light and Electricity Research Institute of Zhejiang University after his graduation and later worked for Zhejiang University Computer Company as the deputy general manager. He joined the Group in January 1998 as the deputy general manager of Zhejiang Sino Stride and is responsible for software development.

**Mr. Duan Hui Long**, aged 39, is the director and chief engineer of Zhejiang Sino Stride. He graduated from Zhejiang University in 1991 with a doctor degree. He did post-doctor research at Research Institute of Industrial Automation Control and teaching at the Bio-medical Engineering and Instrument Science College of Zhejiang University. Mr. Duan Joined the Group in February 2001. He is responsible for the technological work and the research and development of new products of Zhejiang Sino Stride.

**Mr. Hu Guang**, aged 36, is the vice-president of Zhejiang Sino Stride. He graduated from Zhejiang University in 1993 with a master degree. He taught in Heilongjiang Province Qiqihaer Light Industry College. From 1996 to 1999, he worked in a petrochemical company as the general manager of marketing development department. In February 2001, he joined the Group as an assistant to president of Zhejiang Sino Stride being responsible for procurement, human resources and finance of the Group.

**Mr. Wang Chun Quan**, aged 47, is the director and vice-president of Zhejiang Sino Stride. Mr. Wang is a qualified senior engineer. He graduated from Zhejiang University in 1982 with a bachelor degree. He taught for 10 years in Zhejiang University after his graduation and later worked for a medical equipment company as general manager. In March 1995, he joined the Group as the vice-president of Zhejiang Sino Stride and is responsible for administration, product development, technology development and marketing.

**Mr. Yang Han Fen**, aged 34, is the deputy general manager of Xingda Computer. He graduated from Zhejiang University in 1994 with a master degree. Mr. Yang worked for several companies in the computer industry as general manager or deputy general manager. He joined the Group in December 2000 and is responsible for marketing and product development.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

## GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law (2001 Second Revision) of the Cayman Islands on 12 December 2001. Pursuant to a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the ultimate holding company of the Group on 16 January 2002. Details of the Group Reorganisation are set out in the Company's Prospectus dated 23 July 2002 (the "Prospectus"). The Company's shares have been listed on GEM since 29 July 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements.

There were no changes in the nature of the Group's principal activities during the year.

## SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities for the year ended 31 December 2002 is set out in note 4 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 67.

The directors recommend the payment of a final dividend of HK\$1.2 cents per ordinary share in respect of the year, to shareholders on the register of members on 9 May 2003. This recommendation has not been incorporated in the financial statements for the year ended 31 December 2002. Further details of dividends are set out in notes 12 and 31 to the financial statements.

## USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the GEM on 29 July 2002, after the deduction of proceeds from the sales of 274,090,000 ordinary shares and related issue expenses, amounted to approximately RMB81 million. Further details are set out in note 26 to the financial statements.

The net proceeds from the public listing were applied during the year ended 31 December 2002 in accordance with the proposed applications set out in the Prospectus as follows:

	Planned use of proceeds up to	
	31 December 2002	
	As set out in the Prospectus RMB million	Actual use of proceeds RMB million
Geographical expansion	0.4	0.5
Marketing and promotion	1.7	1.3
Research and development	3.8	1.3
Strategic investment and business collaboration	2.1	2.0
Repayment of bank loans	10.9	10.9
<b>Total</b>	<b>18.9</b>	<b>16.0</b>

The remaining net proceeds of RMB65 million have been placed with commercial banks in Hong Kong for future use as identified by the Group's business objectives as stated in the Prospectus. The Group does not envisage any circumstances that may lead to any material alteration to the proposed use of net proceeds.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last three financial years prepared on the basis set out in the note below is as follows:

## RESULTS

	Year ended 31 December		
	2002 RMB'000	2001 RMB'000	2000 RMB'000
<b>Turnover</b>	<b>200,423</b>	95,615	44,004
Cost of sales	<b>(139,540)</b>	(64,344)	(29,210)
<b>Gross profit</b>	<b>60,883</b>	31,271	14,794
Other revenue	<b>1,565</b>	762	581
Selling and distribution costs	<b>(9,327)</b>	(6,073)	(3,123)
Administrative costs	<b>(10,365)</b>	(7,295)	(5,077)
Other operating costs	<b>(637)</b>	(1,477)	(920)
<b>Profit from operating activities</b>	<b>42,119</b>	17,188	6,255
Finance costs	<b>(1,631)</b>	(720)	(478)
Share of profit/(loss) of an associate	–	(3)	71
<b>Profit before tax and minority interests</b>	<b>40,488</b>	16,465	5,848
Tax	<b>(6,819)</b>	(1,675)	(926)
Minority interests, net of tax	<b>(986)</b>	(1,643)	(351)
<b>Net profit from ordinary activities attributable to shareholders</b>	<b>32,683</b>	13,147	4,571
<b>Dividends</b>	<b>6,633</b>	559	3,111
<b>Earnings per share</b>			
– Basic and diluted	<b>RMB0.035</b>	RMB0.016	RMB0.006

**SUMMARY FINANCIAL INFORMATION (CONTINUED)****ASSETS, LIABILITIES AND MINORITY INTERESTS**

	<b>31 December</b>		
	<b>2002</b>	2001	2000
	<b>RMB'000</b>	RMB'000	RMB'000
<b>Total assets</b>	<b>250,114</b>	81,245	32,444
<b>Total liabilities</b>	<b>115,297</b>	52,963	18,136
<b>Minority interests</b>	<b>2,856</b>	3,662	2,842
<b>Net assets</b>	<b>131,961</b>	24,620	11,466

Note:

The pro forma combined results of the Group for the years ended 31 December 2000 and 2001 have been extracted from the Prospectus, while those of the year ended 31 December 2002 were prepared based on the consolidated income statement as set out on page 30 of the financial statements. This summary does not form part of the audited financial statements.

**PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

**ISSUED CAPITAL**

Details of movements in the Company's issued capital, together with the reasons therefor, are set out in note 26 to the financial statements.

**PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in page 34 and page 63 of the financial statements, respectively.

## DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to RMB100,695,000. Under the laws of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

The reserves of the Group, available for distribution depend on the dividend distributable by the Company's subsidiaries. For dividend purpose, the amount which the Company's subsidiaries in the People's Republic of China (the "PRC") can legally distribute by way of a dividend is determined by reference to their profits as reflected in their PRC statutory financial statements which are prepared in accordance with the PRC accounting rules and regulations. These profits differ from those that are reflected in the Group's financial statements prepared in accordance with International Accounting Standards and Interpretations of the Standing Interpretations Committee as adopted by International Accounting Standards Board.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 48% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 18% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 33% of the Group's total purchases for the year and the purchases from the largest supplier included therein accounted for 20% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which to the best of knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

## DIRECTORS

The directors of the Company during the year were:

### Executive Directors:

Mr. Chau Chit	(appointed on 15 January 2002)
Mr. Wong Wai Tin	(appointed on 22 February 2002)
Mr. Zhang Xiao Feng	(appointed on 22 February 2002)

### Non-executive Directors:

Mr. Wong Wai Kwan	(appointed on 26 April 2002 )
Mr. Ng Chong Khim	(appointed on 15 March 2002)

### Independent Non-executive Directors:

Mr. Cai Xiao Fu	(appointed on 22 February 2002)
Mr. Wu Ming Dong	(appointed on 26 April 2002 )

In accordance with article 87 and 86(3) of the Company's articles of association, all the directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out under the "Profiles of Directors and Senior Management" section of the Annual Report.

## DIRECTORS' SERVICE CONTRACTS

Except for Mr. Ng Chong Khim, who has not entered into any service contract with the Company, each of the directors of the Company has entered into a service agreement with the Company with effect from the date of appointment of the respective directors for a fixed term of three years.

None of the directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a significant beneficial interest in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party during the year.

## DIRECTOR'S INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2002, 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 (the "SDI Ordinance") were as follows:

Name of directors	Corporate interest	Percentage of the Company's issued shares
Mr. Chau Chit (note)	648,000,000	59.77
Mr. Wong Wai Tin (note)	129,600,000	11.95

Note:

Mega Start Limited, the ultimate holding company of the Company, is held by Mr. Chau Chit, a director, and Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wang Wai Tin, a director, in the proportion of 50%, 30% and 20% , respectively.

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 31 December 2002.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable any directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16 (1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's share capital
Mega Start Limited	648,000,000	59.77
Singapore Technologies Electronics Limited ("ST Elect")	108,000,000	9.96

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

## SHARE OPTION SCHEME

Pursuant to written resolutions of the shareholders of the Company dated 16 July 2002, a share option scheme (the "Scheme") was approved and adopted. A summary of the terms of the Scheme is set out in Appendix V of the Prospectus.

Under the Scheme, the directors may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price for shares under the Scheme will be determined by the directors, which shall be calculated with reference to the higher of (i) the closing price of the shares on the GEM of the Stock Exchange on the date of grant of the options; (ii) the average closing price of the share on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the share capital of the Company in issue and may not exceed in nominal value 30% of the issued share capital of the Company in issue for a period of 10 consecutive years. The Scheme will remain in force for a period of 10 years commencing on 16 July 2002. No option may be granted to any one person which, if exercised in full, would result in the total number of shares already issued and which may fall to, be issued to him under all the options previously granted to him pursuant to the Scheme in any 12 month's period up to the date of grant to such person exceeding 1% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Scheme. No share options had been granted under the Scheme as at 31 December 2002.

## CONNECTED TRANSACTIONS

On 19 April 2002, Sino Stride Holdings Limited (the "HKSS"), a company beneficially owned by Mr. Chau Chit, a director, Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wong Wai Tin, a director, in the proportion of 50%, 30% and 20%, respectively, as landlords, entered into two operating leases with the Company as a tenant in respect of (i) the premises located at Rooms 3113, 3115 and 3116, 31/F., New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong, for use as its Hong Kong office; and (ii) an apartment located at Flat F, 22/F., Tower One, Park Tower, 1 King's Road, Causeway Bay, Hong Kong, for use as living quarters for directors for a term of five years each commencing from 19 April 2002, at the monthly rental rates of HK\$21,000 and HK\$26,000, respectively, as determined based on the approximate prevailing market prices. The corresponding rental expenses of the Group for the year ended 31 December 2002 amounted to RMB448,000 (2001: nil). As the total annual sum under each lease is less than the threshold stipulated under Rule 20.25(3) of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), the transaction is exempted from the reporting announcement and shareholders' approval requirements set out in Rules 20.34 to 20.36 of the GEM Listing Rules.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

## SPONSOR'S INTERESTS

As at 31 December 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 an agreement (the "Sponsor Agreement") dated 23 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. 29 July 2002) to 31 December 2004 or until the Sponsor Agreement is terminated upon the terms and conditions set out therein.

## DIRECTORS' INTERESTS 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 People's Republic of China (the "PRC"). Mr. Ng Chong Khim, a senior management of ST Elect, was appointed as a non-executive director of the Company on 15 March 2002. Mr. Ng Chong Khim owns investment interests in the securities of ST Elect. 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 businesses of the Group as at 31 December 2002.

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 29 July 2002.

## AUDIT COMMITTEE

The Company established an audit committee on 16 July 2002 with written terms of reference 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 to the board of directors. The audit committee is also responsible for reviewing the financial reporting process and internal controls system of the Group. The Group's financial statements for the year ended 31 December 2002 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

The audit committee has two members comprising the two independent non-executive directors, Mr. Cai Xiao Fu and Mr. Wu Ming Dong. The audit committee held three meetings since the committee was established and performed the functions specified in the GEM Listing Rules.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Chau Chit**

*Chairman*

Hong Kong

21 March 2003



安永會計師事務所

To the members

**Sino Stride Technology (Holdings) Limited**

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 30 to 67 which have been prepared in accordance with International Accounting Standards and Interpretations of the Standing Interpretations Committee as adopted by International Accounting Standards Board (collectively as "IAS").

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with IAS and the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong  
21 March 2003

# Consolidated Income Statement

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Year ended 31 December 2002

SINO STRIDE

	Notes	2002 RMB'000	2001 RMB'000
<b>Turnover</b>	5	<b>200,423</b>	95,615
Cost of sales		<b>(139,540)</b>	(64,344)
<b>Gross profit</b>		<b>60,883</b>	31,271
Other revenue	5	<b>1,565</b>	762
Selling and distribution costs		<b>(9,327)</b>	(6,073)
Administrative costs		<b>(10,365)</b>	(7,295)
Other operating costs		<b>(637)</b>	(1,477)
<b>Profit from operating activities</b>	6	<b>42,119</b>	17,188
Finance costs	7	<b>(1,631)</b>	(720)
Share of loss of an associate		<b>–</b>	(3)
<b>Profit before tax and minority interests</b>		<b>40,488</b>	16,465
Tax	10	<b>(6,819)</b>	(1,675)
Minority interests, net of tax		<b>(986)</b>	(1,643)
<b>Net profit from ordinary activities attributable to shareholders</b>	11	<b>32,683</b>	13,147
<b>Dividends</b>	12	<b>6,633</b>	559
<b>Earnings per share</b>			
– Basic and diluted	13	<b>RMB0.035</b>	RMB0.016

The accounting policies and explanatory notes on pages 36 to 67 form an integral part of the financial statements.

# Consolidated Balance Sheet

31 December 2002

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	Notes	2002 RMB'000	2001 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	14	7,643	4,970
Intangible assets	15	1,400	520
Long term investments	16	2,500	500
Goodwill/(negative goodwill)	18	(938)	10
Total non-current assets		10,605	6,000
<b>Current assets</b>			
Cash and cash equivalents		96,176	12,863
Deposits pledged with financial institutions	19	2,107	2,494
Trade receivables	20	27,674	11,931
Prepayments, deposits and other receivables		18,459	11,650
Unbilled amounts due from customers for contract works	21	88,507	33,581
Inventories	22	6,586	2,660
Due from the holding company	23	–	66
Total current assets		239,509	75,245
<b>Current liabilities</b>			
Bank loans	24	38,000	16,000
Trade and notes payable	25	41,456	20,336
Accrued liabilities and other payables		29,109	14,962
Tax payable		6,732	1,665
Total current liabilities		115,297	52,963
Net current assets		124,212	22,282
Total assets less current liabilities		134,817	28,282
<b>Non-current liabilities</b>			
Minority interests		2,856	3,662
Net assets		131,961	24,620
<b>Capital and reserves</b>			
Issued capital	26	11,491	–
Reserves		120,470	24,620
Shareholders' equity		131,961	24,620

**Chau Chit**  
Director

**Wong Wai Tin**  
Director

The accounting policies and explanatory notes on pages 36 to 67 form an integral part of the financial statements.

# Consolidated Cash Flow Statement

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Year ended 31 December 2002

SINO STRIDE

	2002 RMB'000	2001 RMB'000
Profit before taxes and minority interests	<b>40,488</b>	16,465
Adjustments for:		
Depreciation	<b>1,260</b>	823
Share of loss of an associate	-	3
Interest expenses	<b>1,385</b>	687
Interest income	<b>(398)</b>	(39)
Loss on disposal of an associate	-	320
Losses of the Disposed Operations	-	(1,115)
Gain on disposal of property, plant and equipment	-	(37)
Gain on disposal of interest in a subsidiary	-	(9)
Leasehold improvements written off	-	84
Amortisation of (negative goodwill)/goodwill	<b>(107)</b>	21
Amortisation of intangible assets	<b>120</b>	80
Cash inflow from operations before working capital changes	<b>42,748</b>	17,283
Increase in trade receivables	<b>(15,743)</b>	(6,363)
Increase in unbilled amounts due from customers for contract works	<b>(54,926)</b>	(33,337)
(Increase)/decrease in inventories	<b>(3,926)</b>	659
(Increase)/decrease in prepayments, deposits and other receivables	<b>(6,809)</b>	939
Decrease/(increase) in amount due from the holding company	<b>66</b>	(9)
Decrease in amounts due from directors	-	2,772
Increase in trade and notes payable	<b>21,120</b>	16,704
Increase in accrued liabilities and other payables	<b>13,410</b>	10,728
Decrease in deposits pledged with financial institutions	<b>387</b>	-
Cash (outflow)/inflow from operations	<b>(3,673)</b>	9,376
Income taxes paid	<b>(1,752)</b>	(932)
Net cash (outflow)/inflow from operating activities	<b>(5,425)</b>	8,444

## Consolidated Cash Flow Statement (continued)

Year ended 31 December 2002

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	2002 RMB'000	2001 RMB'000
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(5,425)</b>	8,444
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(3,933)</b>	(2,814)
Purchase of a long-term investment	<b>(2,000)</b>	–
Deposits pledged with financial institutions	–	(2,444)
Acquisition of additional interests in subsidiaries	–	(599)
Interest income	<b>398</b>	39
Cash received on disposal of property, plant and equipment	–	100
Cash outflow from disposal of subsidiaries	–	(1,029)
Disposal of an associate	–	500
Additions to intangible assets	<b>(1,000)</b>	(600)
Net cash utilised in investing activities	<b>(6,535)</b>	(6,847)
<b>Net cash (outflow)/inflow before financing activities</b>	<b>(11,960)</b>	1,597
<b>Cash flows from financing activities</b>		
Dividends paid	<b>(6,633)</b>	(1,207)
Additions of new bank loans	<b>123,000</b>	19,900
Investments from minority shareholders in subsidiaries	–	1,000
Repayment of bank loans	<b>(101,000)</b>	(11,400)
Interest expense paid	<b>(1,385)</b>	(687)
Proceeds from issue of share capital	<b>81,291</b>	–
<b>Net cash inflow from financing activities</b>	<b>95,273</b>	7,606
Increase in cash and cash equivalents	<b>83,313</b>	9,203
Cash and cash equivalents at beginning of year	<b>12,863</b>	3,660
<b>Cash and cash equivalents at end of year</b>	<b>96,176</b>	12,863
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>96,176</b>	12,863

# Consolidated Statement of Changes in Equity

Year ended 31 December 2002

	Notes	2002 RMB'000	2001 RMB'000
<b>Issued capital</b>	26		
Balance at beginning of year		–	–
Shares issued on the placing		2,862	–
Transferred from share premium		8,586	–
Shares issued on the over-allotment option		43	–
Balance at end of year		11,491	–
<b>Share premium</b>			
Balance at beginning of year		–	–
Shares issued on the placing		92,971	–
Shares issue expenses		(14,585)	–
Transferred to share capital		(8,586)	–
Balance at end of year		69,800	–
<b>Contribution surplus</b>	27(a)		
Balance at beginning of year		13,499	6,669
Transferred from retained earnings		–	6,517
Transferred from enterprise expansion fund		–	313
Balance at end of year		13,499	13,499
<b>Statutory surplus reserve</b>	27(b)		
Balance at beginning of year		1,149	1,037
Transferred from retained earnings		636	112
Balance at end of year		1,785	1,149
<b>Enterprise expansion fund</b>	27(c)		
Balance at beginning of year		315	437
Transferred from retained earnings		636	191
Transferred to contribution surplus		–	(313)
Balance at end of year		951	315
<b>Retained profits</b>			
Balance at beginning of year		9,657	3,323
Net profit for the year	11	32,683	13,713
Transferred to reserves		(1,272)	(6,820)
Dividends		(6,633)	(559)
Balance at end of year		34,435	9,657
Total reserves		120,470	24,620
Total equity		131,961	24,620

The accounting policies and explanatory notes on pages 36 to 67 form an integral part of the financial statements.

# Balance Sheet

31 December 2002

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	Notes	RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	14	633
Interests in subsidiaries	17	84,499
Total non-current assets		85,132
<b>Current assets</b>		
Cash and cash equivalents		27,063
Prepayments, deposits and other receivables		1,206
Total current assets		28,269
<b>Current liabilities</b>		
Accrued liabilities and other payables		1,215
Total current liabilities		1,215
Net current assets		27,054
Net assets		112,186
<b>Capital and reserves</b>		
Issued capital	26	11,491
Reserves	27	100,695
Shareholders' equity		112,186

**Chau Chit**

*Director*

**Wong Wai Tin**

*Director*

The accounting policies and explanatory notes on pages 36 to 67 form an integral part of the financial statements.

## 1. GROUP REORGANISATION AND BASIS OF PREPARATION

### The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 December 2001 under the Companies Law (2001 Second Revision) of the Cayman Islands. As at the date of incorporation of the Company, its authorised share capital was HK\$300,000, divided into 30,000,000 shares, of which one share credited as fully paid was issued to Mega Start Limited, the holding company of the Company. Apart from the aforesaid share issue, no other transactions were carried out by the Company for the period from 12 December 2001 to 31 December 2001. Accordingly, the Company did not have any results for the period from 12 December 2001 (date of incorporation) to 31 December 2001 and did not have any assets, liabilities and shareholders' equity as at 31 December 2001.

### Group Reorganisation

Pursuant to a Group Reorganisation completed on 16 January 2002 (the "Group Reorganisation") to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Sino Stride (BVI) Limited, a company incorporated in the British Virgin Islands, which is, as at 16 January 2002, the immediate holding company of the then subsidiaries of the Company.

Further details of the Group Reorganisation are also set in the prospectus (the "Prospectus") issued by the Company dated 23 July 2002. The shares of the Company were listed on the GEM of the Stock Exchange on 29 July 2002.

### Basis of presentation

The Group's financial statements are presented on the following bases:

- (i) The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared on the merger basis of accounting in accordance with International Accounting Standards 22 "Business Combinations". On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation for the two years ended 31 December 2001 and 2002, rather than from the date of their acquisitions on 16 January 2002. Accordingly, the consolidated results and cash flows of the Group for the two years ended 31 December 2001 and 2002 include the results and cashflows of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation/ registration, where this is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole, as the principal activities of the Group were carried out by those subsidiaries summarised in note 17 to the financial statements prior to and after the Group Reorganisation.

## 1. GROUP REORGANISATION AND BASIS OF PREPARATION (CONTINUED)

### Basis of presentation (Continued)

- (ii) For the purpose of presenting the consolidated results of the Group for the year ended 31 December 2001, 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"), in which the Group held effective equity interests of 44.5% and 63%, respectively, and were disposed of to independent third parties in the year ended 31 December 2001, have been excluded and presented separately. Accordingly, the net gains resulting from the disposal of the Disposed Operations and the net operating losses of the Disposed Operations attributable to the Group for the year ended 31 December 2001 amounted to RMB1,273,000 and RMB707,000, respectively, have been excluded for the presentation of the consolidated results of the Group for the year ended 31 December 2001. This basis of presentation is consistent with the basis adopted for the preparation of the accountants' report included in the Prospectus and the net effect of RMB566,000 is immaterial.

## 2. CORPORATE INFORMATION

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies, Cayman Islands. The principal place of business of the Group is Sino Stride Building, No. 594 XiXi Road, Hangzhou, the PRC.

The Group is principally engaged in the development and provision of system integration solutions in the People's Republic of China (the "PRC") and the Hong Kong Special Administrative Region ("Hong Kong"). Mega Start Limited, a company incorporated in the British Virgin Islands and is held by Mr. Chau Chit, a director, and Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wang Wai Tin, a director, in the proportion of 50%, 30% and 20%, respectively, and is the ultimate holding company of the Company.

The Group employed 330 (2001: 286) employees as at 31 December 2002.

### **3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

#### **Basis of preparation**

These financial statements have been prepared under the historical cost convention in accordance with International Accounting Standards and Interpretations of the Standing Interpretations Committee as adopted by International Accounting Standards Board (collectively as "IAS") and the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Basis of consolidation and presentation**

The Group's financial statements are presented using the bases as set out in note 1 above.

All significant intra-Group transactions and balances are eliminated on consolidation.

#### **Subsidiaries**

A subsidiary is a company over which the Company has the power to govern its financial and operating policies so as to obtain benefits from its activities. A subsidiary is excluded from consolidation if it operates under severe long term restrictions which may impair its ability to transfer funds to the Company.

In the Company's balance sheet, interests in subsidiaries are stated at cost less any impairment losses.

#### **Associates**

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of its equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of the associates are included in the consolidated income statement and consolidated reserves, respectively. The Group's investments in the associates are stated in the consolidated balance sheets at the Group's share of net assets under the equity method of accounting less any impairment losses.

### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess purchase consideration paid over the Group's share of the fair value of the identifiable assets and liabilities acquired as at the date of acquisition. Goodwill is amortised on a straight-line basis over five years.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

#### Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill related to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not related to identified expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. Negative goodwill is amortised on a straight-line basis over three years, approximated the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets as at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated income statement.

### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Investments

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investments.

The Group's investment in the paid-up capital of an unlisted company held on a long term basis that does not have fixed maturity and quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost less any provision for impairment losses deemed necessary by the directors, on an individual investment basis.

#### Unbilled amounts due from customers for contract works

Contract revenue on the rendering of installation, system development, system integration, system design and related services comprises the following contract amounts:

- sales of hardware (including computer hardware, purchased computer software, parts and components and equipment, hereinafter collectively referred to as "System Hardware"); and
- provision of services (installation, system development, system integration, system design and related services, hereinafter collectively referred to as "System Services").

Cost of sales of System Hardware comprises, inter alia, the costs of computer hardware, purchased computer software, parts and components and equipment. Cost of provision of System Services comprises, inter alia, labour and other costs of personnel directly engaged in providing System Services and attributable overheads.

Revenue from the rendering of System Services is recognised based on the percentage of completion of the respective contracts, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably.

The percentage of completion of a contract is determined based on the survey of the work performed, which approximates the percentage determined based on costs incurred.

Unbilled amounts due from customers for contract works are recorded in the balance sheet at the amounts of contract costs incurred plus attributable profits less provisions for foreseeable losses and progress billings.

The Directors review contract works on a regular basis. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods and System Hardware, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of System Services, when the relevant System Services have been rendered on the basis as further explained in the accounting policy for "Unbilled amounts due from customers for contract works" above;
- (c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

The gain or loss on disposal or retirement of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset at the time of disposal.

### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	Over the lease terms
Computer and office equipment	5 years
Motor vehicles	5 years

The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed these recoverable amounts, assets are written down to their recoverable values.

#### Intangible assets

All research costs are charged to the income statement as incurred.

Development costs incurred on projects to develop new products are capitalised and deferred only when the projects are clearly defined, the costs are separately identifiable and can be measured reliably, there is reasonable certainty that the projects are technically feasible and the products have commercial value. Development expenditures which do not meet these criteria are expensed when incurred.

Deferred development costs are amortised on the straight-line basis over the commercial lives of the underlying products of not exceeding five years commencing from the date when the products are put into commercial production.

At each balance sheet date, management of the Company assesses whether there is any indication of impairment. If any such indication exists, the recoverable amount will be estimated.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, subcontracting fee and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less all further costs expected to be incurred to completion and disposal.

### **3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### **Trade and other receivables**

Trade receivables, which generally have terms ranging from 30 to 120 days, are recognised and carried at the original invoice amounts less allowances for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Prepayments, deposits and other receivables are recognised and carried at cost less allowances for uncollectible amounts.

Receivables from related parties are recognised and carried at cost.

#### **Trade and other payables**

Liabilities for trade and other amounts payable which are normally settled on terms ranging from 30 to 180 days are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are recognised and carried at cost.

#### **Loans and borrowings**

All loans and borrowings, which are interest-bearing and held to maturity, are initially recognised at cost, being the fair value of the consideration received, and subsequently measured at amortised cost.

#### **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the income statement on the straight-line basis over the lease terms.

### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Deferred taxes

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable (greater than 50%) that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

#### Retirement benefits

Obligatory retirement benefits in the form of contributions under defined contribution retirement scheme administered by local government agencies are charged to the income statement as incurred.

#### Accommodation benefits

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre are charged to the income statement as incurred.

#### Government grants and subsidies

Grants and subsidies from the government are recognised at their fair values where there is reasonable assurance that the grant or subsidy will be received and all attaching conditions will be complied with. When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs which it is intended to compensate. Where the grant or subsidy relates to an asset, the fair value is deducted on arriving at the carrying amount of the related assets.

### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Foreign currencies

The books and records of the Company and subsidiaries incorporated outside the PRC are maintained in Hong Kong dollars ("HK\$"). The books and records of the PRC Subsidiaries are maintained in Renminbi ("RMB"). The principal activities of the Group are transacted in RMB. Accordingly, the Group's functional and reporting currency is RMB.

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the assets and liabilities, both monetary and non-monetary, and the income and expense items of the Company and its subsidiaries are translated into RMB at the closing rates and the average rates, respectively. The resulting translation differences are dealt with in the exchange fluctuation reserve.

#### Cash and cash equivalents

Cash on hand and in bank and short term deposits which are held to maturity are carried at cost.

Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks.

#### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### **3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### **Use of estimates**

The preparation of the financial statements in conformity with IAS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **4. SEGMENT INFORMATION**

#### **(a) Business segment**

The Group is principally engaged in the development and provision of system integration solutions. The products and services of the Group are subject to similar risks and returns and, therefore, the Group has only one business segment.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (b) Geographical segment

The following table presents revenue, results, certain assets and expenditure information for the Group's geographical segments for the year ended 31 December 2002.

	<b>Hong Kong</b> <b>2002</b> RMB'000	<b>PRC</b> <b>2002</b> RMB'000	<b>Consolidated</b> <b>2002</b> RMB'000
Segment revenue	43,167	157,256	200,423
Segment results	10,287	33,306	43,593
Unallocated corporate expenses			(1,764)
Amortisation of negative goodwill			107
Other revenue			183
Profit from operating activities			42,119
Finance costs			(1,631)
Profit before tax			40,488
Tax			(6,819)
Profit before minority interests			33,669
Minority interests			(986)
Net profit attributable to shareholders			32,683
Other segment information			
Segment assets	17,220	203,625	220,845
Unallocated corporate assets			29,269
Consolidated total assets			250,114
Segment liabilities	1,711	112,370	114,081
Unallocated corporate liabilities			1,216
Minority interests			2,856
Consolidated total liabilities			118,153
Capital expenditures	718	4,215	4,933
Depreciation	85	1,175	1,260
Amortisation of intangible assets	–	120	120

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (b) Geographical segment (continued)

For the year ended 31 December 2001, no segmental analysis by geographical segment is provided as the principal assets employed by the Group are located in the PRC and the Group's turnover and profits were mainly derived from the provision of system integration and development services provided to domestic customers in the PRC.

#### 5. TURNOVER AND REVENUE

Turnover represents the net invoice value of goods sold and contract revenue on the rendering of installation, system development, system integration, system design and related services, net of value-added tax, after allowances for returns, trade discounts and various types of revenue taxes where applicable. All significant intra-group transactions are eliminated on consolidation.

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Turnover	<b>200,423</b>	95,615
Amortisation of negative goodwill	<b>107</b>	–
Interest income	<b>398</b>	39
Government grants	<b>1,002</b>	635
Gain on disposal of property, plant and equipment	–	37
Gain on disposal of interests in a subsidiary	–	9
Investment income	<b>55</b>	–
Others	<b>3</b>	42
Other revenue	<b>1,565</b>	762
Total revenue	<b>201,988</b>	96,377

## 6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2002 RMB'000	2001 RMB'000
Auditors' remuneration	666	13
Amortisation of intangible assets	120	80
Amortisation of (negative goodwill)/goodwill	(107)	21
Interest income	(398)	(39)
Depreciation	1,260	823
Interest on bank loans repayable within one year	1,385	687
Gain on disposal of property, plant and equipment	–	(37)
Loss on disposal of an associate	–	320
Leasehold improvements written off	–	84
Minimum lease payments under operating leases for buildings	874	461
Staff costs:		
Retirement costs	469	419
Accommodation benefits	141	161
Other staff costs (including directors and senior executives' emoluments as set out in notes 8 and 9)	10,833	6,367
	<b>11,443</b>	6,947
Research and development costs	513	1,029

## 7. FINANCE COST

	2002 RMB'000	2001 RMB'000
Interest on bank loans repayable within one year	1,385	687
Bank charges and commissions	246	33
	<b>1,631</b>	720

## 8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Companies Ordinance is as follows:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Fees	<b>117</b>	–
Basic salaries and other benefits	<b>408</b>	151
Pension scheme contributions	<b>15</b>	3
	<b>540</b>	154

All of the directors' remuneration fell within the nil to HK\$1,000,000 band for the two years.

Two (2001: two) of the Company's directors received emoluments of approximately RMB150,000 and RMB213,000, respectively (2001: RMB48,000 each), for the year ended 31 December 2002. One (2001: one) of the Company's directors received emoluments of approximately RMB60,000 (2001: RMB58,000) for the year ended 31 December 2002. One of the non-executive directors and one of the independent directors received RMB53,000 each in 2002 (2001: nil). One of the independent directors received emoluments of approximately RMB11,000 for the year ended 31 December 2002 (2001: nil). No emoluments were paid to the remaining non-executive director during the current and prior years. There were no arrangements under which a director waived or agreed to waive any remuneration for the year.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three (2001: three) directors during the year, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining two (2001: two) highest paid, non-director employees are as follows:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Basic salaries and other benefits	<b>348</b>	169
Pension scheme contributions	<b>11</b>	2
	<b>359</b>	171

## 9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The remuneration of the two highest paid, non-director employees fell within the nil to HK\$1,000,000 band.

During the year, no emoluments were paid by the Group to the directors or any of the other highest paid individuals to join or as an inducement to join the Group, or as compensation for loss of office.

## 10. TAX

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Provision for the year:		
– Hong Kong	<b>1,620</b>	–
– PRC	<b>5,199</b>	1,675
<b>Total</b>	<b>6,819</b>	1,675

Hong Kong profits tax has been provided at the rate of 16% (2001: nil) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

**10. TAX (CONTINUED)**

A reconciliation of accounting profits and tax expenses as follows:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Accounting profits	<b>40,488</b>	16,465
Non-deductible tax losses of consolidated subsidiaries, the holding company and an associate	<b>3,039</b>	322
Non-taxable profits of consolidated subsidiaries and an associate	<b>(82)</b>	(1,867)
Profits of the Group subject to income tax	<b>43,445</b>	14,920
Tax expenses at applicable income tax rate of 15% in the PRC (2001: 10%)	<b>4,978</b>	1,492
Tax expenses at applicable income tax rate of 33% in the PRC (2001: nil)	<b>43</b>	–
Tax expenses at applicable income tax rate of 16% in Hong Kong (2001: nil)	<b>1,620</b>	–
Tax effect of expenses that are not deductible for tax purposes	<b>178</b>	183
Income tax expenses	<b>6,819</b>	1,675

According to the Income Tax Law of the PRC, Zhejiang Sino Stride Technology Co., Ltd. ("Zhejiang Sino Stride"), a PRC subsidiary of the Company, is qualified as an advanced technology enterprise and operates in one of the approved high and new technology industrial development zones of the PRC and is subjected to corporate income tax of the PRC at a rate of 15% (2001: 10%), being preferential tax rate applicable to companies operating in approved high and new technology industrial development zones of the PRC.

Hangzhou Sino Stride Xingda Computer System Co., Ltd. ("Xingda Computer"), a PRC subsidiary of the Company, 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, was exempted from corporate income tax of the PRC for the two years starting from its first year of operation, i.e., 1 January 2000 to 31 December 2001.

**10. TAX (CONTINUED)**

As at 31 December 2002, Xingda Computer is subject to corporate income tax of the PRC at the rate of 33% (2001: nil).

The applicable PRC corporate income tax rate of Hangzhou Sino Stride Yida System Technology Co., Ltd. ("Yida System"), a PRC subsidiary of the Company, 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.

**11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The consolidated results of the Group for the year ended 31 December 2001 as set out in note 1 are presented by excluding the results of the Disposed Operations and the gain on disposal of the Disposed Operations. Had the results of the Disposed Operations and the gain on disposal of the Disposed Operations been included in the Group's results, the Group's consolidated net profit from ordinary activities attributable to shareholders would have been as follows:

	<b>2002</b> <b>RMB'000</b>	2001 RMB'000
Consolidated net profit from ordinary activities attributable to shareholders	<b>32,683</b>	13,147
Net loss of the Disposed Operations attributable to the Group	–	(707)
Gain on disposal of the Disposed Operations	–	1,273
Consolidated net profit from ordinary activities attributable to shareholders, including the financial results of the Disposed Operations	<b>32,683</b>	13,713

**12. DIVIDENDS**

	<b>2002</b> <b>RMB'000</b>	2001 RMB'000
Dividends declared by:		
– Zhejiang Sino Stride	–	559
– The Company	<b>6,633</b>	–

**12. DIVIDENDS (CONTINUED)**

The dividend for the year ended 31 December 2001 was declared by Zhejiang Sino Stride, a subsidiary of the Company, to its then shareholders prior to the Group Reorganisation and the listing of the Company's shares on the GEM of the Stock Exchange. On 3 April 2002, the Company declared a special dividend of RMB6,633,000 to its then shareholders prior to listing of the Company's shares on the GEM Stock Exchange. The rates of the dividends and the number of shares ranking for these dividends are not presented as the directors consider that such information is not meaningful for the purpose of these financial statements.

**13. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on net profit from ordinary activities attributable to shareholders for current year of RMB32,683,000 (2001: RMB13,147,000) and the weighted average 929,095,562 ordinary shares in issue during the year (2001: 810,000,000 ordinary shares on the assumption that the Group Reorganisation was completed on 1 January 2001).

Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2001 and 2002.

**14. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Buildings</b>	<b>Leasehold improvements</b>	<b>Computer and office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
As at 1 January 2002	1,170	673	2,690	2,619	7,152
Additions	–	1,046	543	2,344	3,933
As at 31 December 2002	1,170	1,719	3,233	4,963	11,085
Accumulated depreciation:					
As at 1 January 2002	219	43	868	1,052	2,182
Charged for the year	53	258	444	505	1,260
As at 31 December 2002	272	301	1,312	1,557	3,442
Net book value:					
As at 31 December 2002	898	1,418	1,921	3,406	7,643
As at 31 December 2001	951	630	1,822	1,567	4,970

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Buildings	Leasehold improvements	Computer and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
Additions during the year	–	677	41	–	718
As at 31 December 2002	–	677	41	–	718
Accumulated depreciation:					
Charged for the year	–	80	5	–	85
As at 31 December 2002	–	80	5	–	85
Net book value:					
As at 31 December 2002	–	597	36	–	633

## 15. INTANGIBLE ASSETS

Group	Deferred development costs	
	2002 RMB'000	2001 RMB'000
Cost:		
At beginning of year	600	–
Additions	1,000	600
At end of year	1,600	600
Accumulated amortisation:		
At beginning of year	80	–
Provided during the year	120	80
At end of year	200	80
Net book value	1,400	520

## 16. LONG TERM INVESTMENTS

Group	2002 RMB'0000	2001 RMB'000
Unlisted investments, at cost	2,500	500

In the opinion of the directors, there was no impairment for the above investments for the two years ended 31 December 2001 and 2002.

## 17. INTERESTS IN SUBSIDIARIES

Company	2002 RMB'000
Unlisted investments, at cost	24,621
Due from subsidiaries	59,878
	84,499

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

Particulars of the subsidiaries are as follows:

Company	Place and date of incorporation/ establishment	Nominal value of Issued shares/ paid-up capital	Attributable equity interest to the Company		Principal activities
			Direct %	Indirect %	
Sino Stride (BVI) Limited*	British Virgin Islands 5 October 2001	US\$ 101	100	–	Investment holding
Zhejiang Sino Stride Technology Co., Ltd.*	PRC 31 December 1992	RMB60 million	–	97.5	System integration and development
Hangzhou Sino Stride Xingda Computer System Co., Ltd.*	PRC 16 May 2000	RMB3 million	–	92.6	System integration and development
Hangzhou Sino Stride Yida System Technology Co., Ltd.*	PRC 29 June 2000	RMB3 million	–	73.1	System integration and development

## 17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Company	Place and date of incorporation/ establishment	Issued shares/ paid-up capital	Attributable equity interest to the Company		Principal activities
			Direct %	Indirect %	
Ever Create Profits Limited#	British Virgin Islands 2 July 2002	US\$1	100	–	Provision of system design and supply of system hardware
Choice Delta Assets Limited#	British Virgin Islands 2 July 2002	US\$1	100	–	Dormant
Hangzhou Sino Stride Hospital Yida System Technology Co., Ltd.#	PRC 18 December 2002	RMB1 million	–	79	Dormant

\* Subsidiaries acquired pursuant to the Group Reorganisation.

# Subsidiaries incorporated after the listing of the Company's shares on the GEM.

## 18. GOODWILL/(NEGATIVE GOODWILL)

Group	2002 RMB'000	2001 RMB'000
Cost:		
At beginning of year	31	103
Arising on acquisition of subsidiaries	(1,055)	10
Disposal of subsidiaries	–	(82)
At end of year	(1,024)	31
Accumulated amortisation:		
At beginning of year	(21)	–
Provided during the year	107	(21)
At end of year	86	(21)
Net book value	(938)	10

**19. DEPOSITS PLEDGED WITH FINANCIAL INSTITUTIONS**

<b>Group</b>	<b>2002</b> <b>RMB'000</b>	2001 RMB'000
Cash deposits	<b>2,107</b>	2,494

The above cash deposits have been pledged to financial institutions for the issuance of letter of credits and are non-interest-bearing.

**20. TRADE RECEIVABLES**

The ages of the trade receivables are analysed as follows:

<b>Group</b>	<b>2002</b> <b>RMB'000</b>	2001 RMB'000
Outstanding balances with ages:		
Within 30 days	<b>21,243</b>	2,325
Between 31 to 90 days	<b>1,887</b>	2,114
Between 91 to 180 days	<b>550</b>	4,523
Between 181 to 360 days	<b>1,382</b>	314
Over 360 days	<b>2,612</b>	2,655
	<b>27,674</b>	11,931

**21. UNBILLED AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS**

Contract costs incurred plus recognised profits amounted to approximately RMB266,553,000 (2001: RMB126,686,000) as at 31 December 2002.

Unbilled amounts due from customers for contract works amounted to approximately RMB88,507,000 (2001: RMB33,581,000) as at 31 December 2002.

**22. INVENTORIES**

Group	2002 RMB'000	2001 RMB'000
Purchased equipment	6,570	1,530
Parts and components	182	933
Finished goods	–	363
	<b>6,752</b>	2,826
Less: Provision for obsolete inventories	(166)	(166)
	<b>6,586</b>	2,660

The carrying amount of inventories as at 31 December 2002 carried at net realisable value amounted to RMB555,000 (2001: RMB520,000).

**23. BALANCE WITH HOLDING COMPANY**

The balance with the holding company is unsecured, interest-free and is repayable on demand.

**24. BANK LOANS**

Group	Notes	2002 RMB'000	2001 RMB'000
Unsecured	(i)	38,000	1,000
Guaranteed	(ii)	–	15,000
		<b>38,000</b>	16,000
Classified as current liabilities repayable within one year		<b>38,000</b>	16,000

(i) The unsecured bank loans bear interest at rates ranging from 3.78% to 4.425% (2001: 5.85%) per annum and are repayable in less than eight months.

(ii) As at 31 December 2001, guaranteed bank loans amounting to RMB4,000,000 were guaranteed by Zhejiang Golden Prospects Electronic Industrial Co., Ltd., a former associate of the Group, and an amount of RMB5,000,000 of the guaranteed bank loans was guaranteed by Hangzhou Hi-Tech Investment and Assurance Co., Ltd., a company in which the Group has an effective equity interest of 3.33%. All guaranteed bank loans were fully repaid in 2002.

**25. TRADE AND NOTES PAYABLE**

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

<b>Group</b>	<b>2002</b> <b>RMB'000</b>	2001 RMB'000
Outstanding balances with ages:		
Within 30 days	<b>19,886</b>	6,722
Between 31 to 90 days	<b>13,546</b>	6,431
Between 91 to 180 days	<b>5,468</b>	5,853
Between 181 to 360 days	<b>1,218</b>	936
Over 360 days	<b>1,338</b>	394
	<b>41,456</b>	20,336

**26. ISSUED CAPITAL**

<b>Company</b>	<b>2002</b> <b>RMB'000</b>	2001 RMB'000
Authorised:		
2,000,000,000 (2001: 30,000,000) ordinary shares of HK\$0.01 each	<b>21,200</b>	318
Issued and fully paid:		
1,084,090,000 shares (2001: 1,050 pro forma shares) of HK\$0.01 each	<b>11,491</b>	–

## 26. ISSUED CAPITAL (CONTINUED)

On 12 December 2001 (date of incorporation), the authorised share capital of the Company was HK\$300,000 ordinary shares of HK\$0.01 each, of which one share was allotted, issued at par and credited as fully paid. During the year, there were the following movements in the Company's authorised and issued share capital:

- (a) On 16 January 2002, as part of the Group Reorganisation described in note 1 to the financial statements, the Company issued an aggregate 1,049 ordinary shares of HK\$0.01 each credited as fully paid in consideration for the acquisition of the entire issued share capital of Sino Stride (BVI) Limited.
- (b) Pursuant to a written resolution of the shareholders of the Company passed on 16 July 2002, the authorised share capital of the Company was increased from HK\$300,000 to HK\$20,000,000 by the creation of 1,970,000,000 ordinary shares of HK\$0.01 each.
- (c) On 16 July 2002, a total of 809,998,950 ordinary shares of HK\$0.01 each were allotted as fully paid at par to the shareholders thereof on the register of members of the Company in proportion to their respective shareholdings at the close of business on that day by way of capitalisation of the sum of HK\$8,100,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being in credit as a result of the new shares issued to the public as detailed in (d) below.
- (d) On 26 July 2002, 270,000,000 ordinary shares of HK\$0.01 each were issued to the public by way of placement of shares at HK\$0.33 each for a total cash consideration, before the related issue expenses, of HK\$89,100,000.
- (e) On 22 August 2002, 4,090,000 ordinary shares was issued to the public at HK\$0.33 each for a total cash consideration of HK\$1,349,700 pursuant to the over-allotment option approved by the shareholders on 16 July 2002.

**26. ISSUED CAPITAL (CONTINUED)**

A summary of the transactions during the year with reference to the above movements of the Company's ordinary share capital is as follows:

	Notes	Number of authorised shares at HK\$0.01 each	Number of issued shares at HK\$0.01 each	Nominal value of shares issued RMB'000
Share allotted, issued and fully paid on incorporation		30,000,000	1	–
Increase in authorised share capital	(b)	1,970,000,000	–	–
Share issued as consideration for the acquisition of the entire issued share capital of Sino Stride (BVI) Limited	(a)	–	1,049	–
Pro forma shares at 31 December 2001		2,000,000,000	1,050	–
Shares issued on the Placing	(d)	–	270,000,000	2,862
Capitalisation of share premium account as a result of the issue of shares to public	(c)	–	809,998,950	8,586
Shares issued on the Over-allotment Option	(e)	–	4,090,000	43
As at 31 December 2002		2,000,000,000	1,084,090,000	11,491

## 26. ISSUED CAPITAL (CONTINUED)

### Share options

On 16 July 2002, the Company approved a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to the directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price for shares under the Scheme will be determined by the directors, which shall be calculated with reference to the higher of (i) the closing price of the shares on GEM of the Stock Exchange on the date of grant of the option; (ii) the average closing price of the shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of option; and (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the share capital of the Company in issue and may not exceed in nominal value 30% of the issued share capital of the Company in issue for a period of 10 consecutive years. The Scheme will remain in force for the period of 10 years commencing on 16 July 2002. No option may be granted to any one person which, if exercised in full, would result in the total number of shares already issued and which may fall to be issued to him under all the options previously granted to him pursuant to the Scheme in any 12 month's period up to the date of grant to such person exceeding 1% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Scheme. No share options had been granted under the Scheme as at 31 December 2002.

## 27. RESERVES

<b>Company</b>	<b>Share premium account</b>	<b>Contribution surplus</b>	<b>Retained profits</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
		(a)		
As at 1 January 2002	–	–	–	–
Arising on acquisition of				
Sino Stride (BVI) Limited	–	24,620	–	24,620
Net profit for the year	–	–	12,908	12,908
Issue of shares	92,971	–	–	92,971
Share issue expenses	(14,585)	–	–	(14,585)
Capitalisation of shares	(8,586)	–	–	(8,586)
Dividends	–	–	(6,633)	(6,633)
As at 31 December 2002	69,800	24,620	6,275	100,695

## 27. RESERVES (CONTINUED)

### (a) Contribution surplus

The contribution surplus of the Group represents the difference between the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the Group Reorganisation as set out in note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor. The contribution surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

### (b) 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 their profits after tax, as determined in accordance with the accounting principles generally accepted in the PRC ("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.

### (c) Enterprise expansion fund

In accordance with the Company Law of the PRC, certain PRC Subsidiaries are required to transfer 5% to 10% of their profits 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 liquidation of these subsidiaries. EEF must be used for production and operation expansion purposes.

## 28. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

The Group is exposed to market risk, including primarily changes in interest rates. The Group does not hold or issue derivative financial instruments for trading purposes.

#### (a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank loans and borrowings.

The Group does not hedge interest rate fluctuations.

In the opinion of the directors, the Group has no significant interest rate risk due to the short maturity of the Group's interest-bearing loans and borrowings.

#### (b) Exchange rate risk

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to the Group's operations in Hong Kong.

The Group has foreign currency risk as certain of its payables to suppliers and trade receivables are denominated in foreign currencies, principally United States dollars. Fluctuations in exchange rates of Hong Kong dollars and Renminbi against foreign currencies could affect the Group's results of operation.

#### (c) Credit risk

Credit risk arising from the inability of a counterpart, to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterpart's obligations exceed the obligations of the Group. The Group minimises exposure to credit risk by only dealing with counterparts with acceptable credit ratings.

#### (d) Credit risk exposures

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparts fail to perform their obligations as at 31 December 2002 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the consolidated balance sheets.

**28. FINANCIAL INSTRUMENTS (CONTINUED)****(e) Significant concentrations of credit risk**

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counterparts whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has significant sales transactions with government organisations, hotels and property developers in the PRC and hence, has a significant concentration of credit risk.

**(f) Net fair values**

The aggregate net fair values of financial assets and financial liabilities are not materially different from their carrying amounts.

**29. CONTINGENT LIABILITIES**

At the balance sheet dates, neither the Group nor the Company had any significant contingent liabilities.

**30. COMMITMENT**

<b>Group</b>	<b>2002</b> <b>RMB'000</b>	2001 RMB'000
Future minimum lease rentals payable under non-cancellable operating leases expiring:		
Within one year	<b>1,169</b>	501
In the second to fifth years inclusive	<b>2,681</b>	1,842
	<b>3,850</b>	2,343
Capital commitments:		
Contracted, but not provided for	<b>8,950</b>	–

### 30. COMMITMENT (CONTINUED)

At the balance sheet date, the Company had the following commitments:

Company	2002 RMB'000	2001 RMB'000
Future minimum lease rentals payable under non-cancellable operating leases expiring:		
Within one year	679	–
In the second to fifth years, inclusive	2,262	–
	<b>2,941</b>	–

The Group and the Company did not have any other significant capital expenditure and commitments as at 31 December 2002.

### 31. POST BALANCE SHEET EVENTS

On 21 March 2003, the Company proposed a final dividend of HK\$1.2 cents per ordinary share. The proposed dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 32. RELATED PARTY TRANSACTIONS

On 19 April 2002, Sino Stride Holdings Limited (the "HKSS"), a company beneficially owned by Mr. Chau Chit, a director, Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wong Wai Tin, a director, in the proportion of 50%, 30% and 20%, respectively, as landlords, entered into two leases with the Company as tenant in respect of (i) the premises located at Rooms 3113, 3115 and 3116, 31/F., New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong for use as its Hong Kong office and (ii) an apartment located at Flat F, 22/F., Tower One, Park Tower, 1 King's Road, Causeway Bay, Hong Kong, for use as living quarters for the directors for a term of five years each commencing from 19 April 2002, at a monthly rent of HK\$21,000 and HK\$26,000, respectively, as determined based on approximate prevailing market prices. The corresponding rental expenses of the Group for the year ended 31 December 2002 amounted to RMB448,000 (2001: nil).

### 33. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

### 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2003.

# Notice of Annual General Meeting

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**NOTICE IS HEREBY GIVEN** that the first annual general meeting of Sino Stride Technology (Holdings) Limited (the "Company") will be held at Charter Room 1, Basement 3, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, on Friday, 16 May 2003 at 10:30 a.m. for the following purposes:

- (1) To receive and consider the audited financial statements and the reports of the directors and the auditors of the Company for the year ended 31 December 2002.
- (2) To declare a final dividend.
- (3) To re-elect directors and to authorize the board of directors (the "Board") to fix the directors' remuneration.
- (4) To re-appoint auditors and to authorize the Board to fix their remuneration.
- (5) As special business, to consider and, if though fit, pass the following resolutions with or without amendments as ordinary resolutions:

A **"THAT:**

- (i) subject to paragraph (iii) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorize the directors of the Company during the Relevant Period to make and grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Right Issue (as hereinafter defined) or, (b) the grant or exercise of rights of conversion under any securities which are convertible into shares of the Company or, (c) any scrip dividend scheme or similar arrangement providing for the allotments of shares in lieu of the whole or a part of a dividends on shares of the Company pursuant to the Articles of the Association of the Company from time to time, (d) the grant or exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the directors, officers

and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, share of the Company, shall not in aggregate exceed 20 per cents of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Article of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Right issue” means the allotment or issue of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the directors of the Company made to holders of shares of the Company or any class thereof whose name appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class therefore (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

**B “THAT:**

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its own issued shares in the capital of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Future Commission and the Stock Exchange in accordance with all the applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution shall not exceed 10 per cents of the aggregate nominal amount of share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

(iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C “**THAT** condition upon the resolution numbered 5B in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional securities pursuant to resolution numbered 5A in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 5B.”

By the order of the Board

**Sino Stride Technology (Holdings) Limited**

**Yim Wai Man**

*Company Secretary*

Hong Kong  
28 March 2003

*Head office and principal place of business in Hong Kong:*

Room 3113, 3115 and 3116, 31st Floor  
New-Tech Plaza  
34 Tai Yau Street  
San Po Kong  
Kowloon  
Hong Kong

*Registered office:*

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
British West Indies  
Cayman Islands

*Principal place of business in the PRC*

Sino Stride Building  
No. 594 Xi Xi Road  
Hangzhou  
The PRC  
PC: 310023

*Notes:*

1. The Register of Members of the Company will be closed from 12 May 2003 to 16 May 2003, both days inclusive, during which period no transfer of shares will be elected. In order to be qualified for attending the forthcoming Annual General Meeting, all transfers accompanied with relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Abacus Share Registrars Limited at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on (Friday) 9 May 2003.
2. Every member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Branch Share Registrar in Hong Kong, Abacus Share Registrars Limited at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forth-eight hours before the appointed time for holding the meeting or any adjournment thereof. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
4. An Explanatory Statement containing further details regarding resolution numbered 5B above as required by the Rule Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange will be dispatched to the members of the Company together with the 2002 annual report.

5. In the case of a poll taken subsequently to the date of the meeting or adjourned meeting, the form of proxy must be deposited at the Company's Branch Share Registrar in Hong Kong, Abacus Share Registrars Limited at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forth-eight hours before the time fixed for the taking of the poll.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.