

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

中程科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)



SINO STRIDE



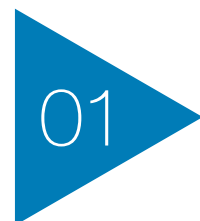
www.sinostride.com



* For identification only



	Pages
Corporate Information	2
Financial Highlights	3
Chairman Statement	4
Management Discussion and Analysis	7
Profiles of Directors and Senior Management	18
Report of the Directors	21
Report of the Auditors	34
Consolidated Income Statement	35
Consolidated Balance Sheet	36
Consolidated Cash Flow Statement	37
Consolidated Statement of Changes in Equity	39
Balance Sheet	40
Notes to the Financial Statements	41
Notice of Annual General Meeting	74





REGISTERED OFFICE

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

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
British West Indies

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

Annual Report 2003

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

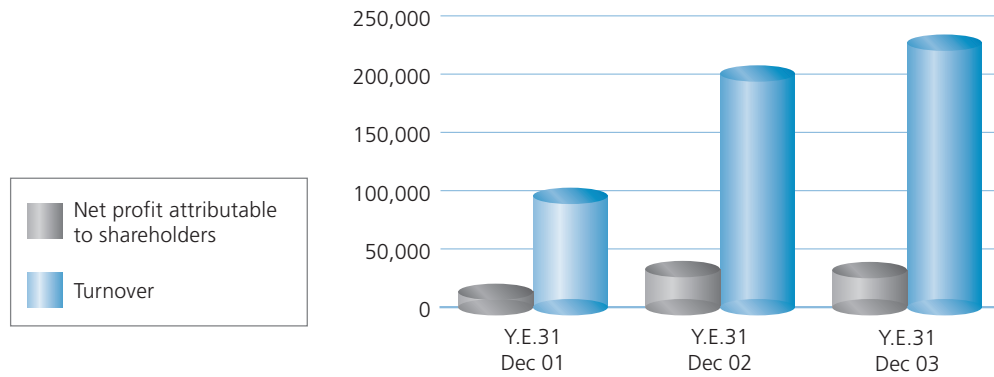
China Construction Bank
Hangzhou Branch
Hi-tech Banking Office
No. 250
Wensan Road
Hangzhou City
The PRC

AUDITORS

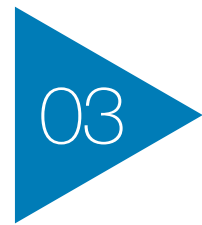
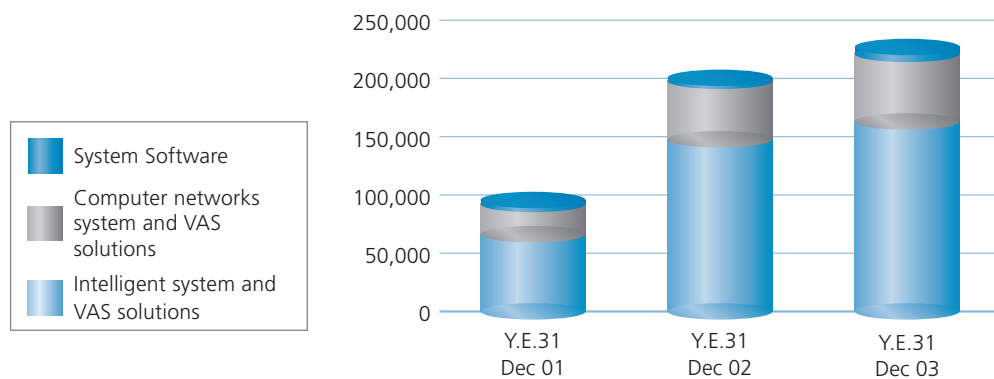
Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong



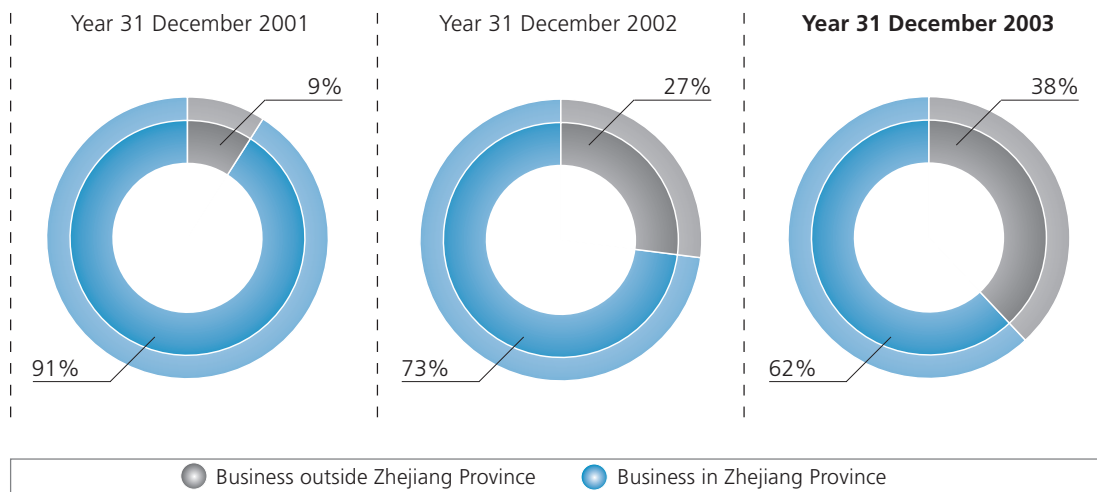
TURNOVER, NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

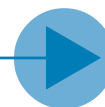


TURNOVER BY SERVICES CATEGORIES



TURNOVER BY LOCATIONS





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") for the year 2003.

FINANCIAL PERFORMANCE

Although there was Severe Acute Respiratory Syndrome ("SARS") in the PRC and Hong Kong, the effect to the Group was minimized under the effort of our employees and management. The Group's turnover in year 2003 rose 13% to RMB 227 million in comparison to RMB 200 million in year 2002. The Group's profit attributable to shareholders amounted to RMB 31.8 million in year 2003 compared to RMB 32.7 million in year 2002, representing a slightly decrease of 2.7%.

BUSINESS REVIEW

04

During the year under review, the Group has made a number of achievements in the area of business development. Nine of our intelligent buildings system and value added service projects were awarded 2003 年度浙江省建設工程錢江杯獎(優質工程) (2003 Zhejiang Province Construction Projects Qian Jiang Cup (Quality Projects) awards) during November 2003. Besides, the Group was awarded continuously 3 year (from 2001 to 2003) as one of the Top Ten Software Enterprise of Zhejiang Province. Moreover, the magazine 中國企業家 (China Enterprise Magazine) and 清華大學經營管理學院中國創業研究中心 (Tsinghua University Business Administration Institute China Entrepreneurship Center) jointly awarded the prize of 2003年未來之星 (2003 China Most Promised Enterprise of year 2003) to the Group. During February 2004, the Group was determined as one of the 2003年度國家規劃布局內重點軟件企業(outstanding software enterprise defined by the National Development Bureau of the PRC of year 2003) to enjoy preferential enterprise income tax rate .

In order to continue the success, the Board defined the Group's strategic direction towards specialist, excellence and coverage of whole PRC market. The Group targeted to enhance overall competitiveness through applying intelligent technology to traditional area like traffic controls management, developing self-proprietary software technology and products with the brand name of "Sino Stride", as well as exploring opportunities to cooperate with reputable enterprises in Singapore, Korea, Europe and America,

Concerning the development in intelligent building system and value added service projects market, the Group has strengthened coverage outside Zhejiang Province. On 25 May 2003, Zhejiang Sino Stride Technology, Ltd was approved to change its name to Sino Stride Technology Co., Ltd which was a milestone for our business expanding from Zhejiang province to the whole PRC market. Through the joint ventures or branches of the Group located in Yunnan, Chongqing, Beijing, Shanghai, Jiangsu, Shenzhen, Hefei and Fujian, the Group successfully bided several large intelligent building system and value added service project e.g. 深圳機場國際物流園 (Shenzhen Airport International Logistic Center), 雲南省王溪市供電局大樓 (Yunnan Province Wangxi City Electricity Supply Bureau Building) and 上海市浦東文獻館 (Shanghai Pudong Ancient Articles Museum).



The Group successfully applied intelligent technology to the area of traffic control management and has bid the project of 104國道-浙江省段全程智能網絡化監控系統項目 (Intelligent Network Monitoring System of National Highway 104 - Zhejiang Province section) which was a critical testing point for the 天網工程(Sky Net Engineer Project) of the 國家公安部(Gung An Bureau of the PRC). Moreover, the Group has successfully bid the projects of 江蘇省揚州市交通控制試點項目 (Jiangsu Province Yangzhou City Intelligence Traffic Control Testing Project), 寧波110指揮系統 (Nigbo City 110 Traffic Control System) and 318國道-湖州市交警智能卡口工程 (Intelligent Traffic Control Gates of National Highway 318 - Huzhou City Traffic Police section). The success in those project indicated that the Group is in a prominent position of being one of the pioneers in PRC intelligent traffic control management system and value-added service market.

During the year 2003, we have launched proprietary software technology and products under the brand name of Sino Stride namely, 中程放射影像診斷工作站 (Sino Stride Medical Radiation Diagnose Workstation), 中程政府機關公文處理系統 (Sino Stride Government Documents and Administration System), 中程政府辦公信息采編系統 (Sino Stride Government Information System), 中程自助網站管理系統 (Sino Stride DIY Web Page Administration System), 中程車輛監控管理系統 (Sino Stride Motor Vehicle Monitoring and Controlling System) and 中程智能呼叫和排隊管理系統 (Sino Stride Intelligent Announcement and Queuing Management System). The relevant registrations was submitted during March 2003. With our endeavor in promoting the Group's traffic control management system integrations solution, the Group has been commissioned to develop the Global Positioning System ("GPS") and Geographical Information System ("GIS") for the vehicles of Zhejiang Province municipal government and conduct testing on those systems.

The Group has been actively exploring opportunities to cooperate with reputable enterprises. On 3 January 2003, the Group has signed a distribution partner agreement with Enterasys Networks Singapore Pte Ltd. ("Enterasys") to obtain hardware under favorable terms. On 21 September 2003, 18 experts from Siemens, German Ministry of Internal Affair and Stuttgart University visited our Hangzhou headquarter for experience sharing . To realize the synergy effect from a previous cooperation agreement entered with our strategic investor - Singapore Technologies Electronics Ltd ("ST Elect"), the delegation of ST Elect and the Group have held several seminars in Hangzhou to promote the concept of intelligent home. Our management was invited to visit ST Elect headquarter in Singapore for discussion of further business collaboration.

PROSPECT

Looking forward, the Group's development in intelligent building system and value added service market will become prosperous with the PRC's continuous economic growth, the accession of the PRC to the WTO, projects of 2008 Beijing Summer Olympic Games, Expo 2010 Shanghai, and greater demand for intelligent buildings. The Group will continuously utilize its greatest endeavor in bidding projects to expand market coverage. Since the demand of traffic controls management system will increase with the dramatically boost in the number of motor vehicles in PRC and the implementation of proposed new traffic control regulations of PRC in near future, the Board believes the growth potential in intelligent traffic controls management system integration is enormous. Leverage on the Group's strong commitment in research and development 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 gratitude to our suppliers, shareholders, investors and customers for their continued encouragement and support. I also take this opportunity to express my sincere thanks to our employees for their efforts and contribution to the Group, especially their commitment to duties and team spirit of Sino Stride during the periods of SARS.

Chau Chit

Chairman

19 March 2004

A blue triangle pointing to the right, containing the white number '06'.

06



FINANCIAL REVIEW

Overview

For the year ended 31 December 2003, the Group recorded a turnover of approximately RMB227 million, representing an increase of approximately 13% over the year ended 31 December 2002. The growth in the turnover of the Group for the year ended 31 December 2003 was mainly attributed to the increase in the Group's contract value and number of clients resulting from the growing demand of intelligent system and value added service solutions in the PRC.

The Severe Acute Respiratory Syndrome ("SARS") in PRC delayed the implementation of system and value added service solutions projects to our clients during the year ended 31 December 2003. The progress of several projects were slow down which increased our costs to complete those projects. Besides, SARS also affected our activities of negotiations with our clients about higher profit margin supplementary and modification contracts which normally carried out in the middle stage of projects. Furthermore, the prices of parts and components for network installation were increased in large extent due to increase of steel's price in PRC. As explained as above, the Group's gross profit margin was decreased from 30% for the year ended 31 December 2002 to 26% for the year ended 31 December 2003.

The selling and distribution costs decreased slightly from RMB9.3 million for the year ended 31 December 2002 to RMB8.9 million for the year ended 31 December 2003 due to better cost controls in sales teams. Administration costs for the year ended 31 December 2003 increased by approximately RMB2 millions because more recourses were employed to set up new offices, explore business collaboration opportunities with reputable enterprises, improve the Group's internal workflows and administration structure.

For the year ended 31 December 2003, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately RMB32 million, representing a slight decrease of approximately 2.7% over the year ended 31 December 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 2003, the Group had outstanding bank borrowings of RMB83 millions (2002: RMB38 millions) of which RMB10 millions (2002: Nil) are secured by cash deposit. The rest of outstanding bank borrowing RMB73 millions (2002: RMB 38 millions) are unsecured and guaranteed by PRC Sino Stride or Xingda Computer. During the year ended 31 December 2003, the Group did not create any mortgage.

As at 31 December 2003, the Group's cash and cash equivalents amounted to approximately RMB75 millions (2002: RMB96 millions).



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 2003, the Group's gearing ratio was 24% (2002: 15%). The increase in gearing ratio was mainly due to the additional borrowings for the purpose of the Group's business expansion.

Significant investments

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the Group did not hold any significant investment as at 31 December 2003.

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 2003.

Exchange rate risk

The Group's exposure to market risk for change in foreign currency exchange rate relates primarily to the Group's operation in Hong Kong.

The Group has foreign currency risk as certain of its payables to suppliers, trade receivables and bank borrowings 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.

Contingent liabilities

As of the date of this results announcement and at 31 December 2003, 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 3 under "Notes to the Audited Financial Statements".



Charge on assets

Other than the Group's bank deposits of RMB18,151,000 (2002: RMB2,106,580) which had been pledged to financial institutions for the issuance of letter of credits and security of outstanding bank borrowing, as at 31 December 2003, the Group did not have any charge on its assets.

Employees

As at 31 December 2003, the Group had 390 (2002: 330) employees. Total staff costs increased to approximately RMB12.7 million from approximately RMB11.4 million for the year ended 31 December 2002. 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 results announcement, 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 intended plans for material investments or capital assets as at 31 December 2003.

09

OPERATIONS REVIEW

During the year ended 31 December 2003, the Group has made a number of achievements in the area of business development. The magazine 中國企業家 (China Enterprise Magazine) and 清華大學經營管理學院 中國創業研究中心 (China Entrepreneurship center of Qing Hua University Business Management Institute) jointly awarded the prize of 2003年未來之星(2003 China Most Promised Enterprise) to the Group for its well development and brightness prospectus. PRC Sino Stride won the award of the Top Ten Software Enterprises of Zhejiang Province in 2003. On 3 March 2003, the committee of High and New Technology Industrial Development Zone of Hangzhou City presented the prize of 2002年度管理創新獎 (Business Innovation and Management Awards in year 2002) to our chairman Mr. Chau Chit. Furthermore, nine of our intelligent buildings system and value added service solution projects were awarded 2003年度浙江省 建設工程錢江杯獎(優質工程) (2003 Zhejiang Province Construction Projects Qian Jiang Cup (Quality Projects) awards) during November 2003. During January 2004, PRC Sino Stride was awarded as one of the 2003年度華東十家最具潛力IT企 (Top Ten Highest Potential IT enterprise in the Eastern China of year 2003) by 中國計算機報 (PRC Computer Newspaper) and 賽迪顧問股份有限公司(CCID Consulting Company Limited). On 16 February 2004, PRC Sino Stride and Mr. Shen Yue, the director and president of PRC Sino Stride was



awarded as 高新區(濱江)2003年度先進企業(Advanced Enterprise of High and Advanced Technology (Bin Jiang) District of year 2003) and 2003年度經濟發展突出貢獻企業家獎 (outperformed entrepreneur in economic development of year 2003) respectively by the government of Bin Jiang District. In February 2004, PRC Sino Stride was designated as one of the 2003年度國家規劃布局內重點軟件企業(Outstanding Software enterprise defined by the National Development Bureau of the PRC of year 2003) and is subjected to corporate income tax of the PRC at a rate of 10%, being preferential tax rate applicable to the outstanding software enterprise.

The Group has successfully applied intelligent technology to the area of traffic control management and has bided the projects of 104國道－浙江省段全程智能網絡化監控系統項目 (Intelligent Network Monitoring System of National Highway 104 - Zhejiang Province section) which was a critical testing point for the 天網工程(Sky Net Engineer Project) of the 國家公安部 (Gung An Bureau of the PRC). Moreover, the Group has successfully bided the projects of 江蘇省揚州市交通控制試點項目(Jiangsu Province Yangzhou City Intelligence Traffic Control Testing Project), 寧波110指揮系統(Nigbo City 110 Traffic Control System) and 318國道－湖州市交警智能卡口系統項目 (Intelligent Traffic Control Gates of National Highway 318 - Huzhou City Traffic Police section) which indicated our intelligent traffic technology, software and hardware products were recognized by the Public.

Concerning the development in intelligent building system and value added service solution market, the Group has successfully bided several large projects such as 深圳機場國際物流園(Shenzhen Airport International logistic center), 深圳規劃大廈 (Shenzhen City Guihua Building), 湖北省武漢建設大廈 (Hubei Province Wuhan Construction Building), 上海市浦東文獻館 (Shanghai Pudong Ancient Articles Museum), 江蘇無錫體育中心 (Jiangsu Province Wuxi City Sport Complex), 江蘇常熟市人民醫院 (Jiangsu Province Changshu City People Hospital), 貴州省委辦公廳花溪賓館 (Guizhou Province Government Committee Office Huaxi Hotel), 重慶市國土局大樓(Chongqing City National Land Bureau), 中國人民銀行杭州中心支行大樓 (Bank of China Hangzhou Office) and 溫州市國稅局大樓 (Wenzhou City National Inland Revenue Bureau) and 雲南省玉溪市供電局大樓 (Yunan Province Yugxi City Electricity Supply Bureau Building).

On 25 May 2003, the Hangzhou Industry and Commerce Administration Bureau issued a new business license regarding the change of name from Zhejiang Sino Stride Technology Co., Ltd to Sino Stride Technology Co., Ltd ("PRC Sino Stride"). It was a milestone for the company to grow from a Zhejiang company to an enterprise with coverage of whole PRC national market. PRC Sino Stride's scope of business was also extended to include design, testing and implementation of lightning protection system.

During the year 2003, the Group has successfully launched proprietary software technology and products under the brand name of "Sino Stride", namely 中程放射影像診斷工作站 (Sino Stride Medical Radiation Diagnose Workstation), 中程政府機關公文處理系統(Sino Stride Government Documents and Administration System), 中程政府辦公信息採編系統(Sino Stride Government Information System), 中程自助網站管理系統(Sino Stride DIY Web Page Administration System) and 中程車輛監控管理系統(Sino Stride Motor Vehicle Monitoring and Controlling System). Moreover, the Group has launched its self developed system, namely 智能呼叫和排隊管理系統 (Intelligent Announcement and Queuing Management System "SSQ-mkII") which



not only automatically collected and processed queuing static for clients such as bank, hospital, insurance and utility companies, but also has high compatibility with clients' installed network system.

In order to promote our newly developed software technology and products, the Group has participated 第五屆中國國際高新技術成果交易會 (the Fifth China Hi-Tech Fair) in Shenzhen and 數字化醫院國際研討會 (Digital Hospital International Seminar) in Hangzhou during October 2003 and December 2003 respectively.

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. As the progress of distribution of Enterasys products was satisfactory, the Group's senior management was invited by Enterasys to visit their Asia Pacific center in Singapore during July 2003 and the vice president of Enterasys, Mr. Robert Ray also visited our Headquarter in Hangzhou to discuss strategic promotion of Enterasys products in China on 14 October 2003. During the "Enterasys Asia Pacific Regional Conference of year 2003" held in Thailand on 2 February 2004, the Group was awarded by Enterasys as "the best value added distributor in China of year 2003" and "outperformed partner of Enterasys in Asia Pacific of year 2003".

On 1 March 2003, the Group was appointed as the master distributor of 北京中科紅旗軟件技術有限公司 (Beijing Red Flag Software Co., Ltd) which is famous in developing and promoting operation system and application software under Linux environment.

In March 2003, PRC Sino Stride invested RMB2,000,000 (representing 40% stake) into a newly formed company namely 深圳市法爾勝中程科技有限公司 (Shenzhen Fasten Sino Stride Technology Co., Ltd.). The principal activities of this company are to research and develop computer relevant technology for software and hardware and provide digital system design and supply and distribute hardware and general merchandise and provide related information and enquiry services thereto. In order to extend the Group's business scope to fire prevention engineering related business, PRC Sino Stride invested RMB360,000 (representing 37.5% stake) into a company named 浙江浙大中程消防工程有限公司 (Zhejiang University Sino Stride Fire Prevention Engineering Co. Ltd) ("ZUSS Fire") during May 2003. The remaining interest of ZUSS Fire is held by a company under Zhejiang University. The Group has invested RMB7,500,000 (representing 75% stake) into a newly formed company namely 北京中程滙強科技有限公司 (Beijing Sino Stride Powerlink Technology Co., Ltd) during July 2003. It is principally engaged in the development and provision of system and value added service solutions. During July 2003, the Group entered into an agreement to dispose its entire interest in a subsidiary, Yida System, to an independent third party. The Board believed this would not materially affect the Group's operation and one of the Group's subsidiary, PRC Sino Stride, will continue the development in electronic hospital information system software. Besides, the Group has set up a newly incorporated company namely 重慶中程科技有限公司 (Chongqing Sino Stride Technology Co Ltd) for the Southwest market of China during July 2003. During October 2003, the Group invested RMB825,000 (representing 55% stake) in 杭州維科軟件工程有限責任公司 (Hangzhou Vico Software Engineering Co., Ltd) to enhance overall research and development capabilities.



18 experts from Siemens, German Ministry of Internal Affairs and Stuttgart University have visited our Hangzhou headquarter for experience sharing and discussion of any technical or commercial cooperation possibility on 21 September 2003.

To realize the synergy effect from a strategic cooperation agreement entered between PRC Sino Stride and Singapore Technologies Electronics Ltd ("ST Elect"), the delegation of ST Elect and the Group have held several seminars in Hangzhou to promote the concept of intelligent home and ST Elect's new products in integrated security management system (ST8100 SECURNET), intelligent building management system (ST8800 UNIZON) and intelligent home system (ST900-8X & ST990 SENTINEL). Besides, the senior management of the Group has visited ST Elect headquarter in Singapore to discuss any further business collaboration during July 2003.

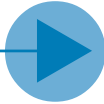
The Group will continue to explore the possibility of various forms of alliance with reputable enterprises and research institution to further complement its existing business and to enhance its competitiveness in the industry.

12

PROSPECTS

In light of the 2008 Beijing Summer Olympic Games, Expo 2010 Shanghai, PRC's entry to the WTO and PRC's continuous economic growth, the Board believes that the demand for intelligent building system and value added service solutions ("IBS") will continue to grow with the prosperity of PRC property markets, increasing proportion of investments in intelligence buildings and necessity for PRC information network system to be in line with international standards. Moreover, the demand of traffic controls management system will increase with the dramatically boost in the number of motor vehicles in PRC and the implementation of the proposed new traffic controls regulations in near future. As the application of intelligence technologies in building, traffic and other relevant sectors in PRC is still at early stage, there will be a potential growth in the Group's business.

The Ministry of Construction and Ministry of Information Industry of the PRC promulgated market entry requirements and qualification verification process for IBS providers respectively, new competitors without recognition are difficult to accumulate relevant experience and technology to fulfill the above mentioned market entry requirements to enter this regulated market. Leverages on the Group's compliance with the market entry requirements, grade A standard in IBS and value added service, the prominent market position like Top Ten Software Enterprise of Zhejiang Province, 2003 China Most Promised Enterprise and outstanding software enterprise of year 2003 defined by the National Development Bureau of the PRC established, the Group will continue to intensify its marketing efforts, expand its market coverage to various provinces in PRC.



Unlike small system integration providers without self-developed products under own brand name and technology know how, the cooperation with reputable enterprises and research institutions like ST Elect and Zhejiang University supply the Group necessary human resources, research and development capabilities for developing self-proprieted software technology and products with the brand name of "Sino Stride" to fulfil unique requirements in PRC market. To further enhance its competitiveness in the industry, the Group also intends to pursue strategic acquisitions of investments in system integration business and software development business in the future if such opportunities arise to strengthen and complement the Group's existing business.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual business progress and the business objectives set out on pages 95 to 98 of the Prospectus. To attain our long-term business goals, the Group reviews its business objectives and strategies on an ongoing basis and makes adjustments as necessary.

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

Actual business progress in the Review Period

Geographical expansion

Establish branches and/or subsidiaries in Wuhan and Jiangxi Province to develop the intelligent building system integration solutions market in Central China

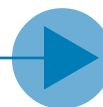
After comparing different Central China cities, the Group established Hefei branch to develop the intelligent building system and value added service solutions market in Central China rather than Wuhan and Jiangxi Province. Besides, the Group established Fujian branch during November 2003.

Marketing and promotion

Promote digital government system software to all levels of government authorities in Jiangsu, Jaingxi and Fujian Province

The Group concentrated its promotion efforts in the usage and training of digital government system to municipal authorities in Zhejiang Province first and delayed its promotion to Jiangsu, Jaingxi and Fujian provinces government authorities until the digital government system be improved to handle dissimilarities of workflow in those provinces.





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

Promote BFA, e-HIS and e-LIS to hospitals in Shaoxing and Ningbo

Promote urban traffic system integration to traffic departments in Jiangsu, Jiangxi and Fujian Province

Continue to promote traffic management software for light rail in Hangzhou

Continues to upgrade the designing capacity of the Group by acquiring relevant equipment, software and facilities

Continue to upgrade the communication equipment and facilities between Hangzhou office and various branches and/or subsidiaries

Research and development

Product Development of the Group

Upgrade existing e-HIS and e-LIS according to domestic medical reform and new development of hospital management

Actual business progress in the Review Period

Due to the reform of domestic medical and hospital market was in progress and not yet ready, the Group delayed the promotion of e-HIS and e-LIS in those cities. Instead, the Group participated the 數字化醫院國際研討會 (Digital Hospital International Seminar) in Hangzhou during December 2003.

Under the continuous promotion effort, the Group successfully bided the project of Jiangsu Province Yangzhou City Intelligence Traffic Control Testing Project during year 2003.

The Group has continuously promoted traffic management software for light rail in Hangzhou

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

The Group has developed intranet platform and installed communication software in June 2003. Besides the Group are considering a plan of setting up a video audio control system to further enhance communication efficiency.

Domestic medical reform and development of hospital management was in process and not yet ready, the Group delayed upgrading e-HIS and e-LIS until finalization of those reform.





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

Complete SSMIS and PACS modification and submit application to MOH for approval

Develop price monitoring software for medicines and medical services

Complete development of GPS and GIS and conduct testing of GPS and GIS

Continue development of traffic management software for light rail

Continue development of electronic hospital information system platform

Strengthening of research and development capacity

Continue recruit research and development staff

Actual business progress in the Review Period

The major modifications of SSMIS modules were completed and awaiting for testing.

The reform of medicines and medical service price monitoring market was not yet finalized, the development of price monitoring software was cautiously postponed.

Major development of GPS and GIS were completed and the Group has already conducted testing of the GPRS system for the vehicles of Zhejiang Province municipal government and results were satisfactory.

The Group has been actively involved in the development of traffic management software for light rail in Hangzhou.

Due to the reform of hospital management were not yet finalized, the Group cautiously postponed the development of electronic hospital information system platform. However the Group will follow up and monitor the latest developments of hospital management reform.

Other than continuously recruiting research and development staff, the Group has appointed a Chief Technology Officer who has over 25 years experience as senior management in multinational IT companies to strengthen overall research and development capabilities.





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

Finalise program to improve the internal structure, the development progress of the Group's software and the training of the staff

Continue to improve the research and development system

Co-operation with Zhejiang University

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

Complete the research on computer-based patient record

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

Conduct testing of medical image network system and continue to develop EEG Holter

Actual business progress in the Review Period

Workflows were streamlined and new departments such as network products and digital equipment were established. Besides, the Group was in the process to engage CMMI assessment enterprise to enhance overall efficiency.

Research and development department of the Group has been continuously figuring out the measures to improve the research and development system including purchase of new computer equipment and software for research and development purpose.

The research and development on computer-based patient record was in progress.

On 11 June 2003, the Group registered Sino Stride Medical Radiation Diagnose Workstation which is a part of the medical image network system and the Group has been continuously develop EEG Holter.



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

Actual business progress in the Review Period

Strategic investment and business collaboration

Continue locating and discussing with reputable companies and research institutions

On 3 January 2003, the Group has signed a distribution partner agreement with Enterasys Networks Singapore Pte Ltd. On 1 March 2003, the Group was appointed as the master distributor of Beijing Red Flag Software Co., Ltd. No strategic investment or business collaboration agreement agreements have been signed by the Group except for the above and those already disclosed in the paragraph "OPERATIONS REVIEW".

Continue negotiations and evaluation and enter into agreements if appropriate

The Group formed new companies namely Shenzhen Fasten Sino Stride Technology Limited and Beijing Sino Stride Powerlink Technology Co., Ltd with 40% and 75% stake respectively. No acquisition and/or joint venture agreements have been signed by the Group except for the above and those already disclosed in the paragraph "OPERATIONS REVIEW".





DIRECTOR

Executive Directors

Mr. Chau Chit, aged 38, 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 vice-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 manger of the electrical and mechanical department. From 1997, he successively held the posts of vice-chairmen and chairman of the board of PRC Sino Stride. He has been serving as the president in PRC Sino Stride since November 1998, and presently the vice-chairman of PRC Sino Stride.

Mr. Wong Wai Tin, aged 37, is an executive Director and the vice-chairman of PRC 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 the manager of import/export division of a trading company.

Mr. Zhang Xiao Feng, aged 32, is an executive Director and the director and vice-president of PRC Sino Stride. He is responsible for sales affairs of PRC 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 36, 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 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 46, is a non-executive 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 64, 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 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 37, 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. Shen Yue, aged 40, is the director and president of PRC Sino Stride. Mr. Shen graduated from Nanjing University in 1994 with a master degree in Economics. In 1985, Mr. Shen worked in Jiangsu Province Electricity Industrial Bureau and later worked for JiangSu Xin Sheng trading company as director and general manager. In July 2002, he joined the Group as president and managing director of PRC Sino Stride. Mr. Shen is well experienced in management and marketing.

Mr. Chen Chih Ching, aged 50, is the Chief Technology Officer of PRC Sino Stride. Mr. Chen graduated from Taiwan Qin Hua University in 1989 with a master degree and was a candidate with qualification to be selected to study Doctorate Degree. Mr. Chen has over 25 years experience in several information technology companies as deputy general manager and general manager.

Mr. Wang Ning, aged 35, is the director and vice-president of PRC 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 40, is the director and vice-president of PRC 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 PRC Sino Stride and is responsible for strategic planning and cooperation with multinational enterprises.

Mr. Duan Hui Long, aged 40, is the director and chief engineer of PRC 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 PRC Sino Stride.

Mr. Hu Guang, aged 37, is the director and vice-president of PRC 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 PRC Sino Stride being responsible for finance and investment of the Group.

Mr. Wang Chun Quan, aged 48, is the director and vice-president of PRC 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 PRC Sino Stride and is responsible for administration, product development, technology development and marketing.

Mr. Yang Han Feng, aged 35, 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 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements.

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

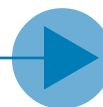
SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by geographical segments for the year ended 31 December 2003 is set out in note 3 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 73.

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 7 June 2004. This recommendation has not been incorporated in the financial statements for the year ended 31 December 2003. Further details of dividends are set out in notes 10 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 Growth Enterprise Market (the "GEM") of the Hong Kong Stock Exchange Limited (the "Stock Exchange") on 29 July 2002, after the deduction of proceeds from the sales issue of 274,090,000 ordinary shares and related issue expenses, amounted to approximately RMB81 million.

The net proceeds from the public listing were applied during the year ended 31 December 2003 in accordance with the proposed applications set out in the Company's prospectus dated 23 July 2002 (the "Prospectus") as follows:

	Use of proceeds up to 31 December 2003	
	As set out in the Prospectus RMB million	Actual use of proceeds RMB million
Geographical expansion	4.7	4.5
Marketing and promotion	4.9	4.9
Research and development	12.4	11.4
Strategic investment and business collaboration	8.9	9.8
Repayment of bank loans	10.9	10.9
Total	41.8	41.5

The remaining net proceeds of RMB39.5 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 its net proceeds.



SUMMARY FINANCIAL INFORMATION

A summary of the published audited 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		
	2003 RMB'000	2002 RMB'000	2001 RMB'000
Turnover	227,023	200,423	95,615
Cost of sales	(167,067)	(139,540)	(64,344)
Gross profit	59,956	60,883	31,271
Other revenue	1,549	1,575	762
Selling and distribution costs	(8,872)	(9,327)	(6,073)
Administrative costs	(12,415)	(10,365)	(7,295)
Other operating costs	(354)	(647)	(1,477)
Profit from operating activities	39,864	42,119	17,188
Finance costs	(2,693)	(1,631)	(720)
Share of losses of associates	(83)	–	(3)
Profit before tax	37,088	40,488	16,465
Tax	(4,824)	(6,819)	(1,675)
Profit before minority interests	32,264	33,669	14,790
Minority interests	(456)	(986)	(1,643)
Net profit from ordinary activities attributable to shareholders	31,808	32,683	13,147
Dividends	13,834	6,633	559
Earnings per share			
– Basic and diluted (RMB cents)	2.9 cents	3.5 cents	1.6 cents



SUMMARY FINANCIAL INFORMATION (CONTINUED)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2003 RMB'000	31 December	
		2002 RMB'000	2001 RMB'000
Total assets	342,591	250,114	81,245
Total liabilities	(186,699)	(115,297)	(52,963)
Minority interests	(5,717)	(2,856)	(3,662)
Net assets	150,175	131,961	24,620

24

The pro forma combined results of the Group for the year ended 31 December 2001 have been extracted from the Prospectus, while those of the years ended 31 December 2002 and 2003 were extracted from the audited 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 12 to the financial statements.

ISSUED CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

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 Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2003, 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 RMB94,968,000. 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 accounting principles generally accepted in the PRC. These profits differ from those that are reflected in the Group's financial statements prepared in accordance with International Financial Reporting Standards.

25

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 24% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 10% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 45% of the Group's total purchases for the year and the purchases from the largest supplier included therein accounted for 23% 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

Mr. Wong Wai Tin

Mr. Zhang Xiao Feng

Non-executive Directors:

Mr. Wong Wai Kwan

Mr. Ng Chong Khim

Independent Non-executive Directors:

Mr. Cai Xiao Fu

Mr. Wu Ming Dong

26

In accordance with article 87 of the Company's articles of association, Mr. Wong Wai Tin and Mr. Zhang Xiao Feng will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors and independent non-executive directors are appointed for a period of three years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 18 to 20 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.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.



DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company, either directly or indirectly, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2003, the interests and short positions of the directors in the share capital of the Company or its associated corporations, as recorded in the register by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Notes	Number of shares held through controlled corporation	Percentage of the Company's issued share capital as at 31 December 2003
Mr. Chau Chit	(1)	648,000,000	59.77%
Mr. Wong Wai Tin	(1) & (2)	129,600,000	11.95%

Notes:

- (1) Mega Start Limited ("Mega Start"), 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. Wong Wai Tin, a director, in the proportion of 50%, 30% and 20%, respectively.
- (2) On 8 January 2004, Mr. Wong Wai Tin personally purchased 2,500,000 shares representing approximately 0.23% of the issued share capital of the Company.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Short positions in ordinary shares of the Company:

Name of Director	Note	Number of underlying shares held through controlled corporation	Percentage of the Company's issued share capital as at 31 December 2003
Mr. Chau Chit	(1)	108,000,000	9.96%
Mr. Wong Wai Tin	(1)	21,600,000	1.99%

Note:

- (1) On 11 January 2002, Mega Start and Singapore Technologies Electronics Limited ("ST Elect"), a substantial shareholder of the Company, entered into a share purchase agreement (the "Purchase Agreement") in which an option (the "Option") is granted to ST Elect to acquire from Mega Start, at a consideration of HK\$0.264 per share, for a further 108,000,000 shares, equivalent to 9.96% of the Company's issued share capital. Such Option shall expire at 5:00pm on 29 July 2004 (the 365th day from 29 July 2003, or the date of the expiry of 12-month moratorium period imposed on Mega Start in respect of the shares it held). On 16 January 2004, ST Elect exercised the Option to acquire a further 108,000,000 shares, equivalent to 9.96% of the Company's issued capital, at a consideration of HK\$0.264 per share, from Mega Start in accordance with the terms stated in the Purchase Agreement.

Save as disclosed above, as at 31 December 2003, none of the directors or their respective spouse or children under the age of 18 was granted by the Company or any of its associated corporations any right to subscribe for equity or debt securities of the Company or any body corporate, or had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Saved as disclosed in the Share Options Scheme as set out in note 25 to the financial statements, at no time during the year ended 31 December 2003 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

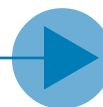


SHARE OPTION SCHEME

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 GEM of the Stock Exchange of Hong Kong Limited on the date of grant of the option; (ii) the average closing price of the share on the GEM of the Stock Exchange of Hong Kong Limited 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 2003.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the following persons or companies had interests and short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Number of shares held through controlled corporation	Percentage of the Company's issued share capital as at 31 December 2003	Number of share options held
Substantial shareholders				
Mega Start	(1)	648,000,000	59.77%	–
Mr. Chau Chit	(1)	648,000,000	59.77%	–
Ms. Ting Hiu Wan	(1)	648,000,000	59.77%	–
Mr. Wong Wai Tin	(1)	129,600,000	11.95%	–
ST Elect	(2)	108,000,000	9.96%	108,000,000
Singapore Technologies Engineering Ltd ("ST Eng")	(2)	108,000,000	9.96%	108,000,000
Singapore Technologies Pte Ltd. ("STPL")	(2)	108,000,000	9.96%	108,000,000
Temasek Holdings (Private) Ltd ("Temasek Holdings")	(2)	108,000,000	9.96%	108,000,000

Notes:

- (1) Mega Start, 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. Wong Wai Tin, a director, in the proportion of 50%, 30% and 20%, respectively.
- (2) ST Elect is a wholly-owned subsidiary of ST Eng whose shares are listed on the Singapore Exchange Securities Trading Limited. Temasek Holdings holds controlling interests in STPL which, in turn, holds controlling interests in ST Eng. Pursuant to Part XV of the SFO, ST Eng, STPL and Temasek Holdings are taken to be interested in the shares held by ST Elect.



Short positions:

Name	Note	Number of underlying shares through controlled corporation	Percentage of the Company's issued share capital as at 31 December 2003
Mega Start	(3)	108,000,000	9.96%

Note:

- (3) On 11 January 2002, Mega Start and Singapore Technologies Electronics Limited ("ST Elect"), a substantial shareholder of the Company, entered into a share purchase agreement (the "Purchase Agreement") in which an option (the "Option") is granted to ST Elect to acquire from Mega Start, at a consideration of HK\$0.264 per share, for a further 108,000,000 shares, equivalent to 9.96% of the Company's issued share capital. Such Option shall expire at 5:00pm on 29 July 2004 (the 365th day from 29 July 2003, or the date of the expiry of 12-month moratorium period imposed on Mega Start in respect of the shares it held). On 16 January 2004, ST Elect exercised the Option to acquire a further 108,000,000 shares, equivalent to 9.96% of the Company's issued capital, at a consideration of HK\$0.264 per share, from Mega Start in accordance with the terms stated in the Purchase Agreement.

CONNECTED TRANSACTIONS

On 19 April 2002, Sino Stride Holdings Limited ("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 quarter for the directors for a term of five years each commencing from 19 April 2002, at monthly rental rates 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 2003 amounted to RMB599,758 (2002: RMB448,000).



DIRECTOR'S INTEREST IN COMPETING BUSINESS

ST Electronics (Shanghai) Co., Ltd., a wholly foreign-owned enterprise established by ST Elect in Shanghai, is also engaged in the business of intelligent building management systems and home automation systems in 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. Through the share options scheme of ST Eng. (which owns 100% of ST Elect), Mr. Ng Chong Khim may from time to time owns shares or share options in ST Eng.

Save as disclosed above, none of the Directors or the substantial shareholders or the management shareholders of the Company or their respective associates had an interest in a business that competed with or might compete with the business of the Group as at 31 December 2003.

SPONSOR'S INTEREST

As at 31 December 2003, neither South China Capital Limited (the "Sponsor") nor its Directors or employees or associates, had any interest in the securities of the Company or of 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 for the period 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.

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.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the year ended 31 December 2003.



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 2003 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 comprises the two independent non-executive directors of the Company, Mr. Cai Xiao Fu and Mr. Wu Ming Dong. The audit committee held four meetings during the year ended 31 December 2003 to perform 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.

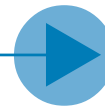
ON BEHALF OF THE BOARD

Chau Chit

Chairman

Hong Kong

19 March 2004



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 page 35 to 73 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

19 March 2004

Consolidated Income Statement

Year ended 31 December 2003



	Notes	2003 RMB'000	2002 RMB'000
Turnover	4	227,023	200,423
Cost of sales		(167,067)	(139,540)
Gross profit		59,956	60,883
Other revenue	4	1,549	1,575
Selling and distribution costs		(8,872)	(9,327)
Administrative costs		(12,415)	(10,365)
Other operating costs		(354)	(647)
Profit from operating activities	5	39,864	42,119
Finance costs	6	(2,693)	(1,631)
Share of losses of associates		(83)	–
Profit before tax		37,088	40,488
Tax	9	(4,824)	(6,819)
Net profit before minority interests		32,264	33,669
Minority interests		(456)	(986)
Net profit from ordinary activities attributable to shareholders		31,808	32,683
Dividends	10	13,834	6,633
Earnings per share			
– Basic and diluted (RMB cents)	11	2.9 cents	3.5 cents

35

The accounting policies and explanatory notes on pages 35 to 73 form an integral part of the financial statements.

Consolidated Balance Sheet

31 December 2003



36

	Notes	2003 RMB'000	2002 RMB'000
Non-current assets			
Property, plant and equipment	12	8,471	7,643
Intangible assets	13	7,019	1,400
Goodwill:			
Goodwill	14	257	–
Negative goodwill	14	(586)	(938)
Interests in associates	16	2,577	–
Long term investments	17	2,500	2,500
Total non-current assets		20,238	10,605
Current assets			
Cash and cash equivalents		74,792	96,176
Deposits pledged with financial institutions	18	18,151	2,107
Trade receivables	19	55,556	27,674
Prepayments, deposits and other receivables		49,301	18,459
Unbilled amounts due from customers for contract works	20	108,203	88,507
Inventories	21	16,350	6,586
Total current assets		322,353	239,509
Current liabilities			
Bank loans	22	82,853	38,000
Trade and notes payable	23	69,412	41,456
Accrued liabilities and other payables		26,148	29,109
Tax payable		8,131	6,732
Total current liabilities		186,544	115,297
Net current assets		135,809	124,212
Total assets less current liabilities		156,047	134,817
Non-current liabilities			
Deferred income	24	155	–
Minority interests		5,717	2,856
Net assets		150,175	131,961
Capital and reserves			
Issued capital	25	11,491	11,491
Reserves		138,684	120,470
Total equity		150,175	131,961

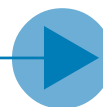
Chau Chit
Director

Wong Wai Tin
Director

The accounting policies and explanatory notes on pages 35 to 73 form an integral part of the financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2003



Notes	2003 RMB'000	2002 RMB'000
Cash flows from operating activities		
Profit before income tax and minority interests	37,088	40,488
Adjustments for:		
Depreciation	1,904	1,260
Share of loss of associates	83	–
Interest expense	2,450	1,385
Interest income	(415)	(398)
Gain on disposal of a subsidiary	(244)	–
Reversal of provision for inventory obsolescence	(32)	–
Amortisation of goodwill	24	10
Amortisation of negative goodwill	(352)	(117)
Amortisation of intangible assets	70	120
Cash inflow from operating activities before working capital changes	40,576	42,748
Increase in trade receivables	(28,681)	(15,743)
Increase in unbilled amounts due from customers for contract works	(19,696)	(54,926)
Increase in inventories	(10,030)	(3,926)
Increase in prepayments, deposits and other receivables	(31,637)	(6,809)
Decrease in amount due from the holding company	–	66
Increase in trade and notes payable	28,016	21,120
(Decrease)/increase in accrued liabilities and other payables	(605)	13,410
(Increase)/decrease in deposits pledged with financial institutions	(16,044)	387
Increase in deferred income	155	–
Cash outflow from operating activities	(37,946)	(3,673)
Income taxes paid	(3,438)	(1,752)
Net cash outflow from operating activities	(41,384)	(5,425)

37

Consolidated Cash Flow Statement (continued)

Year ended 31 December 2003



	Notes	2003 RMB'000	2002 RMB'000
Net cash outflow from operating activities		(41,384)	(5,425)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,464)	(3,933)
Purchase of long term investments		–	(2,000)
Acquisition of associates		(2,360)	–
Interest income		415	398
Acquisition of a subsidiary	27(a)	(365)	–
Disposal of subsidiaries	27(b)	440	–
Additions to intangible assets		(6,019)	(1,000)
Net cash utilised in investing activities		(10,353)	(6,535)
Net cash outflow before financing activities		(51,737)	(11,960)
Cash flows from financing activities			
Dividends paid		(13,834)	(6,633)
Dividends paid to minority interests		(952)	–
Additions of new bank loans		136,200	123,000
Contribution by minority interests		2,500	–
Repayment of bank loans		(91,347)	(101,000)
Interest expense paid		(2,450)	(1,385)
Proceeds from issue of share capital		–	81,291
Net cash inflow from financing activities		30,117	95,273
(Decrease)/increase in cash and cash equivalents		(21,620)	83,313
Cash and cash equivalents at 1 January		96,176	12,863
Effect of foreign exchange rate changes, net		236	–
Cash and cash equivalents at 31 December		74,792	96,176
Analysis of balances of cash and cash equivalents			
Cash and bank balances		74,792	96,176

The accounting policies and explanatory notes on pages 35 to 73 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2003



	Notes	2003 RMB'000	2002 RMB'000
Issued capital	25		
Balance at 1 January		11,491	–
Shares issued on the placing		–	2,862
Transferred from share premium		–	8,586
Shares issued on the over-allotment option		–	43
Balance at 31 December		11,491	11,491
Share premium			
Balance at 1 January		69,800	–
Shares issued on the placing		–	92,971
Shares issue expenses		–	(14,585)
Transferred to share capital		–	(8,586)
Balance at 31 December		69,800	69,800
Contribution surplus	26(a)		
Balance at 1 January and 31 December		13,499	13,499
Statutory surplus reserve	26(b)		
Balance at 1 January		1,785	1,149
Transferred from retained profits		695	636
Balance at 31 December		2,480	1,785
Enterprise expansion fund	26(c)		
Balance at 1 January		951	315
Transferred from retained profits		660	636
Balance at 31 December		1,611	951
Exchange fluctuation reserve			
Balance at 1 January		–	–
Exchange realignment		240	–
Balance at 31 December		240	–
Retained profits			
Balance at 1 January		34,435	9,657
Net profit for the year		31,808	32,683
Transferred to reserves		(1,355)	(1,272)
Dividends		(13,834)	(6,633)
Balance at 31 December		51,054	34,435
Total reserves		138,684	120,470
Total equity		150,175	131,961

39

The accounting policies and explanatory notes on pages 35 to 73 form an integral part of the financial statements.

Balance Sheet

31 December 2003



	Notes	2003 RMB'000	2002 RMB'000
Non-current assets			
Property, plant and equipment	12	502	633
Interests in subsidiaries	15	84,513	84,499
Total non-current assets		85,015	85,132
Current assets			
Cash and cash equivalents		1,283	27,063
Deposits pledged with financial institutions	18	15,986	–
Prepayments, deposits and other receivables		5,398	1,206
Total current assets		22,667	28,269
Current liabilities			
Accrued liabilities and other payables		1,223	1,215
Total current liabilities		1,223	1,215
Net current assets		21,444	27,054
Total assets less current liabilities		106,459	112,186
Capital and reserves			
Issued capital	25	11,491	11,491
Reserves	26	94,968	100,695
Total equity		106,459	112,186

40

Chau Chit

Director

Wong Wai Tin

Director

The accounting policies and explanatory notes on pages 35 to 73 form an integral part of the financial statements.



1. CORPORATE INFORMATION

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.

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, the Cayman Islands. The principal place of business of the Group is Sino Stride Building, No. 594 XiXi Road, Hangzhou, the PRC.

The principal activity of the Company is investment holding. During the year, the Group was 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 SAR"). Mega Start Limited, a company incorporated in the British Virgin Islands, 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, is the ultimate holding company of the Company.

The Group employed 390 (2002: 330) employees as at 31 December 2003.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared under historical cost convention in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Interpretations of the Standing Interpretations Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of consolidation and presentation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries drawn up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.



2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 or it is acquired and held exclusively with a view to subsequent disposal in the near future.

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 sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. The Group's interests in associates include goodwill (net of accumulated amortisation) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

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 straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment in value.

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.



2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 relate 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. 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.

Investments

All investments are initially recognised 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.



2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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:

- sale 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”).

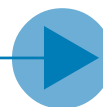
Cost of sales of System Hardware comprises, inter alia, the costs of computer hardware, purchased computer software, parts and components and equipment. Cost of provision of System Services comprises, inter alia, labour and other costs of personnel directly engaged in providing System Services and attributable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



2. 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 loss in value.

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. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise.

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.



2. 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, the 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 any further costs expected to be incurred to completion and disposal.



2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

Trade receivables, which generally have credit 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 are 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.





2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income tax

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. Tax rates that have been enacted are used to determine deferred tax.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carryforward 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, carryforward 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 a 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.



2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The books and records of the Company and its 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 incorporated outside the PRC 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. SEGMENT INFORMATION

(a) Business segment

The Group is principally engaged in the development and provision of solutions for software, hardware and value-added service in intelligent information industry. The products and services of the Group are subject to similar risks and returns and, therefore, the Group has only one business segment.



3. 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 2003 and 2002.

	Year ended 31 December 2003		
	Hong Kong	The Mainland	Consolidated
	SAR	of the PRC	
	2003	2003	2003
	RMB'000	RMB'000	RMB'000
Segment revenue	48,565	178,458	227,023
Segment results	13,388	29,316	42,704
Unallocated corporate expenses			(3,289)
Amortisation of negative goodwill			352
Amortisation of goodwill			(24)
Other revenue			121
Profit from operating activities			39,864
Finance costs			(2,693)
Share of loss of associates			(83)
Profit before tax			37,088
Tax			(4,824)
Profit before minority interests			32,264
Minority interests			(456)
Net profit attributable to shareholders			31,808
Other segment information			
Segment assets	39,817	278,430	318,247
Unallocated corporate assets			24,344
Consolidated total assets			342,591
Segment liabilities	16,305	169,170	185,475
Unallocated corporate liabilities			1,224
Minority interests			5,717
Consolidated total liabilities			192,416
Capital expenditures	606	1,858	2,464
Depreciation	267	1,637	1,904
Amortisation of intangible assets	–	70	70



3. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segment (continued)

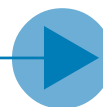
	Year ended 31 December 2002		
	Hong Kong	The Mainland	Consolidated
	SAR	of the PRC	
	2002	2002	2002
	RMB'000	RMB'000	RMB'000
Segment revenue	43,167	157,256	200,423
Segment results	10,287	33,306	43,593
Unallocated corporate expenses			(1,764)
Amortisation of negative goodwill			117
Amortisation of goodwill			(10)
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. 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 intra-Group transactions are eliminated on consolidation.

	2003	2002
	RMB'000	RMB'000
Turnover	227,023	200,423
Amortisation of negative goodwill	352	117
Interest income	415	398
Government grants and subsidies	496	1,002
Gain on disposal of subsidiaries	244	–
Investment income	–	55
Others	42	3
Other revenue	1,549	1,575
Total revenue	228,572	201,998



5. PROFIT FROM OPERATING ACTIVITIES

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

	2003 RMB'000	2002 RMB'000
Cost of sales	167,067	139,540
Auditors' remuneration	717	666
Amortisation of intangible assets	70	120
Amortisation of negative goodwill	(352)	(117)
Amortisation of goodwill	24	10
Interest income	(415)	(398)
Depreciation	1,904	1,260
Reversal of provision for inventory obsolescence	(32)	–
Interest on bank loans repayable within one year	2,450	1,385
Gain on disposal of subsidiaries	(244)	–
Minimum lease payments under operating leases for buildings	1,418	874
Staff costs:		
Retirement benefits	495	469
Accommodation benefits	262	141
Other staff costs (including directors' and senior executives' emoluments as set out in note 7 and 8)	11,985	10,833
Total staff costs	12,742	11,443
Less: Amounts classified as deferred development costs	(2,143)	–
	10,599	11,443
Research and development costs	284	513

6. FINANCE COSTS

	2003 RMB'000	2002 RMB'000
Interest on bank loans repayable within one year	2,450	1,385
Bank charges and commissions	243	246
	2,693	1,631



7. DIRECTORS' REMUNERATION

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

	2003	2002
	RMB'000	RMB'000
Fees	232	117
Basic salaries and other benefits	793	408
Pension scheme contributions	47	15
	1,072	540

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

Three of the Company's directors received emoluments of approximately RMB143,000, RMB258,000 and RMB439,000, respectively (2002: RMB60,000, RMB 150,000 and RMB213,000, respectively), for the year ended 31 December 2003. One of the non-executive directors and one of the independent directors received RMB106,000 each in the year ended 31 December 2003 (2002: RMB53,000). One of the independent directors received emoluments of approximately RMB20,000 for the year ended 31 December 2003 (2002: RMB11,000). 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.



8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three (2002: three) directors during the year, details of whose remuneration are set out in note 7 above.

Details of the remuneration of the remaining two (2002: two) highest paid, non-director employees for the year are as follows:

	2003	2002
	RMB'000	RMB'000
Basic salaries and other benefits	540	348
Pension scheme contributions	25	11
	565	359

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.

9. TAX

	2003	2002
	RMB'000	RMB'000
Provision for the year:		
– Hong Kong SAR	1,839	1,620
– The Mainland of the PRC	2,985	5,199
Total	4,824	6,819

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) 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.



9. TAX (CONTINUED)

A reconciliation of accounting profits and tax expenses is as follows:

	2003 RMB'000	2002 RMB'000
Accounting profits	37,088	40,488
Non-deductible tax losses of consolidated subsidiaries, the holding company and associates	1,303	3,039
Non-taxable profits of consolidated subsidiaries	-	(82)
Profits of the Group subject to income tax	38,391	43,445
Tax expenses at applicable income tax rate of 10% in the PRC (2002: 15%)	2,645	4,978
Tax expenses at applicable income tax rate of 15% in the PRC (2002: 15%)	190	43
Tax expenses at applicable income tax rate of 17.5% in Hong Kong (2002: 16%)	1,839	1,620
Tax effect of expenses that are not deductible for tax purposes	150	178
Income tax expenses	4,824	6,819

According to the Income Tax Law of the PRC, Sino Stride Technology Co., Ltd., a PRC subsidiary of the Company, was qualified as an "Outstanding Software Enterprise" in the PRC and entitled to a preferential tax rate of 10% in 2003 (2002: 15%) by the National Tax Bureau.

Hangzhou Sino Stride Xingda Computer System Co., Ltd. ("Xingda Computer"), a PRC subsidiary of the Company, which is qualified as an advanced technology enterprise and operates in one of the approved high and new technology industrial development zones of the PRC, is subject to corporate income tax of the PRC at the rate of 15% (2002: 15%), being preferential tax rate applicable to companies operating in approved high and new technology industrial development zones of the PRC.



9. TAX (CONTINUED)

Beijing Sino Stride Powerlink Technology Co., Ltd., 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 2003 to 31 December 2004.

The applicable Hong Kong corporate income tax rate of Ever Creat Profits Ltd., a subsidiary of the Company which operates in Hong Kong, is 17.5% (2002: 16%) based on existing legislation.

The applicable PRC income tax rate of the other PRC subsidiaries is 33% based on existing legislation. No provision for income tax has been made for the Company and other subsidiaries of the Company as they incurred losses during the year or the period since the respective incorporation dates.

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

10. DIVIDENDS

	2003 RMB'000	2002 RMB'000
Dividends declared and paid	13,834	6,633

On 6 June 2003, the Company declared and the shareholders approved a final dividend of HK\$1.2 cents per ordinary share, amounting to approximately RMB13,834,000 in aggregate at the 2002 annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of RMB 31,808,000 (2002: RMB32,683,000) and the number of 1,084,090,000 ordinary shares in issue during the year (2002: 929,095,562 ordinary shares).

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 2003.



12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Leasehold	Computer	Motor	Total
	RMB'000	improvements	and office	vehicles	
	RMB'000	RMB'000	equipment	RMB'000	RMB'000
Cost:					
As at 1 January 2003	1,170	1,719	3,233	4,963	11,085
Acquisition of a subsidiary	–	–	694	394	1,088
Additions	–	119	1,881	464	2,464
Disposal of subsidiaries	–	–	(181)	(185)	(366)
Exchange realignment	–	4	–	–	4
As at 31 December 2003	1,170	1,842	5,627	5,636	14,275
Accumulated depreciation:					
As at 1 January 2003	272	301	1,312	1,557	3,442
Acquisition of a subsidiary	–	–	426	156	582
Charged for the year	52	345	730	777	1,904
Disposal of subsidiaries	–	–	(73)	(51)	(124)
As at 31 December 2003	324	646	2,395	2,439	5,804
Net book value:					
As at 31 December 2003	846	1,196	3,232	3,197	8,471
As at 31 December 2002	898	1,418	1,921	3,406	7,643

Company

Cost:

As at 1 January 2003	–	677	41	–	718
Additions	–	–	12	–	12
Exchange realignment	–	4	–	–	4
As at 31 December 2003	–	681	53	–	734

Accumulated depreciation:

As at 1 January 2003	–	80	5	–	85
Charged for the year	–	138	9	–	147
As at 31 December 2003	–	218	14	–	232

Net book value:

As at 31 December 2003	–	463	39	–	502
As at 31 December 2002	–	597	36	–	633



13. INTANGIBLE ASSETS

Group	Deferred development costs	
	2003 RMB'000	2002 RMB'000
Cost:		
At beginning of year	1,600	600
Additions	6,019	1,000
Disposal of subsidiaries	(600)	–
At end of year	7,019	1,600
Accumulated amortisation:		
At beginning of year	200	80
Provided during the year	70	120
Disposal of subsidiaries	(270)	–
At end of year	–	200
Net book value	7,019	1,400

59

14. GOODWILL AND NEGATIVE GOODWILL

Goodwill	2003	2002
	RMB'000	RMB'000
Cost:		
At beginning of year	31	31
Arising on acquisition of a subsidiary	281	–
Disposal of subsidiaries	(14)	–
At end of year	298	31
Accumulated amortisation:		
At beginning of year	(31)	(21)
Provided during the year	(24)	(10)
Disposal of subsidiaries	14	–
At end of year	(41)	(31)
Net book value	257	–



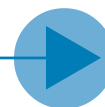
14. GOODWILL AND NEGATIVE GOODWILL (CONTINUED)

Negative goodwill	2003 RMB'000	2002 RMB'000
Cost:		
At beginning of year	(1,055)	–
Arising on acquisition of subsidiaries	–	(1,055)
At end of year	(1,055)	(1,055)
Accumulated amortisation:		
At beginning of year	117	–
Provided during the year	352	117
At end of year	469	117
Net book value	(586)	(938)

15. INTERESTS IN SUBSIDIARIES

Company	2003 RMB'000	2002 RMB'000
Unlisted shares, at cost	24,621	24,621
Due from subsidiaries	59,892	59,878
	84,513	84,499

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.



15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries are set out as follows:

Company	Place and date of incorporation/ establishment and operations	Nominal value of issued shares/ paid-up capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct %		Indirect %		
			2003	2002	2003	2002	
Sino Stride (BVI) Limited	British Virgin Islands /Hong Kong 5 October 2001	US\$101	100	100	–	–	Investment holding
Ever Create Profits Limited	British Virgin Islands /Hong Kong 2 July 2002	US\$1	100	100	–	–	System design and sale of system hardware
Choice Delta Assets Limited	British Virgin Islands /Hong Kong 2 July 2002	US\$1	100	100	–	–	Dormant
Sino Stride Technology Co., Ltd. (formerly known as "Zhejiang Sino Stride Technology Co., Ltd.")	PRC 31 December 1992	RMB60 million	–	–	97.5	97.5	System value-added service solution and development
Hangzhou Sino Stride Xingda Computer System Co., Ltd.	PRC 16 May 2000	RMB3 million	–	–	92.6	92.6	System value-added service solution and development
Hangzhou Sino Stride Yida System Technology Co., Ltd.	PRC 29 June 2000	RMB3 million	–	–	–	73.1	System value-added service solution and development
Hangzhou Sino Stride Hospital Yida System Technology Co., Ltd.	PRC 18 December 2002	RMB1 million	–	–	27.8	79	Sale of medical equipment
Beijing Sino Stride Powerlink Technology Co., Ltd.	PRC 4 September 2003	RMB10 million	–	–	73	–	System design and sale of system hardware
Chongqing Sino Stride Technology Co., Ltd.	PRC 22 September 2003	RMB0.8 million	–	–	98.1	–	Dormant
Hangzhou Vico Software Engineering Co. Ltd. ("Vico")	PRC 8 August 1996	RMB1.5 million	–	–	53.6	–	System value-added service solution and development



16. INVESTMENTS IN ASSOCIATES

Group	2003 RMB'000	2002 RMB'000
Share of net assets of associates	2,577	–

Particulars of the associates are as follows:

Company	Business structure	Place of incorporation and operations	Paid-up capital Rmb'000	Percentage of equity interest attributable to the Group	Principal activities
Zhejiang University Sino Stride Fire Prevention Engineering Co., Ltd.	Corporate	PRC	800	36.6%	Fire prevention system installation
Shenzhen Fasten Sino Stride Technology Limited	Corporate	PRC	5,000	39%	Sale of hardware and equipment related to system solution and system design
Hangzhou Sino Stride Hospital Yida System Technology Co., Ltd.	Corporate	PRC	1,000	27.8%	Sale of medical equipment

17. LONG TERM INVESTMENTS

Group	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	2,500	2,500

In the opinion of the directors, there was no impairment for the above investments as at 31 December 2003.



18. DEPOSITS PLEDGED WITH FINANCIAL INSTITUTIONS

Group	2003 RMB'000	2002 RMB'000
Fixed deposits	18,151	2,107
Company		
Fixed deposits	15,986	-

The above fixed deposits have been pledged to financial institutions for the issuance of letter of credits, notes payable and to secure bank loans in the amount of RMB9,572,000 as set out in note 22.

The pledged fixed deposits bear interest at rates ranging from 0.0025% to 1.04% per annum.

19. TRADE RECEIVABLES

The ages of the trade receivables are analysed as follows:

Group	2003 RMB'000	2002 RMB'000
Outstanding balances with ages:		
Within 30 days	24,617	21,243
Between 31 and 90 days	25,620	1,887
Between 91 and 180 days	2,943	550
Between 181 and 360 days	300	1,382
Over 360 days	2,076	2,612
	55,556	27,674

20. UNBILLED AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

Contract costs incurred plus recognised profits amounted to approximately RMB375,398,000 (2002: RMB266,553,000) as at 31 December 2003.

Unbilled amounts due from customers for contract works amounted to approximately RMB108,203,000 (2002: RMB88,507,000) as at 31 December 2003.



21. INVENTORIES

Group	2003 RMB'000	2002 RMB'000
Purchased equipment	14,939	6,570
Parts and components	1,545	182
	16,484	6,752
Less: Provision for obsolete inventories	(134)	(166)
	16,350	6,586

The carrying amount of inventories as at 31 December 2003 carried at net realisable value amounted to RMB452,000 (2002: RMB555,000).

64

22. BANK LOANS

Group	2003 RMB'000	2002 RMB'000
Secured (a)	9,572	–
Unsecured (b)	73,281	38,000
	82,853	38,000
Classified as current liabilities repayable within one year	82,853	38,000

- (a) The bank loans are secured by fixed deposits as set out in note 18, bearing interest at a rate of 2.4% (2002: nil) per annum and are repayable in less than 12 months.
- (b) The unsecured bank loans bear interest at rates ranging from 5.04% to 5.31% (2002: 3.78% to 4.425%) per annum and are repayable in less than 12 months.



23. TRADE AND NOTES PAYABLE

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

Group	2003 RMB'000	2002 RMB'000
Outstanding balances with ages:		
Within 90 days	54,805	33,432
Between 91 and 180 days	4,395	5,468
Between 181 and 360 days	7,394	1,218
Over 360 days	2,818	1,338
	69,412	41,456

24. DEFERRED INCOME

The balance as at 31 December 2003 represented government grants granted by the Hangzhou Ministry of Finance and Hangzhou Science and Technology Bureau. The government grants will be given by the Hangzhou Ministry of Finance and Hangzhou Science and Technology Bureau to the Group once the specified research and development projects of the Group are approved and certified by Hangzhou Science and Technology Bureau on completion. The Group will recognize the government grants as income when the underlying conditions of the government grants are met.

65

25. ISSUED CAPITAL

Company	2003 RMB'000	2002 RMB'000
Authorised:		
2,000,000,000 (2002: 2,000,000,000) ordinary shares of HK\$0.01 each	21,200	21,200
Issued and fully paid:		
1,084,090,000 (2002: 1,084,090,000) ordinary shares of HK\$0.01 each	11,491	11,491

No repurchase of shares was made by the Company during the year or subsequent to the balance sheet date.



25. 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 the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (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 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 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 months' 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 2003.

26. RESERVES

Company	Share premium account RMB'000	Contribution surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total 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 and 1 January 2003	69,800	24,620	–	6,275	100,695
Net profit for the year	–	–	–	7,650	7,650
Dividends	–	–	–	(13,834)	(13,834)
Exchange realignment	–	–	457	–	457
As at 31 December 2003	69,800	24,620	457	91	94,968



26. RESERVES (CONTINUED)

(a) Contribution surplus

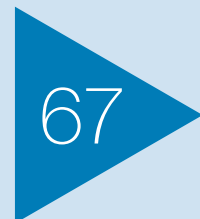
The contribution surplus of the Group represents the difference between the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the Group Reorganisation in preparation for the public listing of the Company's shares on the GEM of the Stock Exchange, over the nominal value of the Company's shares issued in exchange thereof. 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 thereof.

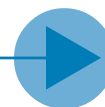
(b) Statutory surplus reserve

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 the 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 the 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.





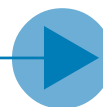
27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

	2003 RMB'000	2002 RMB'000
Net assets acquired:		
Property, plant and equipment	506	–
Cash and cash equivalents	460	–
Other receivables	56	–
Trade payables	(2)	–
Accrued liabilities and other payables	(18)	–
Tax payable	(13)	–
Minority interests	(445)	–
	544	–
Goodwill arising on acquisition	281	–
	825	–
Satisfied by:		
Cash and cash equivalents	825	–

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2003 RMB'000	2002 RMB'000
Cash and cash equivalents acquired	460	–
Cash consideration	(825)	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(365)	–



27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of subsidiaries

	2003 RMB'000	2002 RMB'000
Net assets disposed of:		
Property, plant and equipment	242	–
Cash and cash equivalents	802	–
Intangible assets	330	–
Trade receivables	799	–
Other receivables	851	–
Inventories	298	–
Trade payables	(62)	–
Accrued liabilities and other payables	(1,637)	–
Minority interests	(325)	–
	1,298	–
Gain on disposal of subsidiaries	244	–
	1,542	–
Satisfied by:		
Reclassification to interest in an associated company	300	–
Cash and cash equivalents	1,242	–
	1,542	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003 RMB'000	2002 RMB'000
Cash consideration	1,242	–
Cash and bank balances disposed of	(802)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	440	–



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 other 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 other 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.

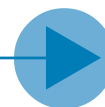
The Group has foreign currency risk as certain of its payables to suppliers and trade receivables are denominated in foreign currencies, principally United States dollars. Fluctuations in exchange rates of United States dollars and RMB against foreign currencies could affect the Group's results of operations.

(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 2003 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the consolidated balance sheet.



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 date, neither the Group nor the Company had any significant contingent liabilities.

30. COMMITMENTS

Group	2003 RMB'000	2002 RMB'000
Future minimum lease rentals payable under non-cancellable operating leases expiring:		
Within one year	1,986	1,169
In the second to fifth years, inclusive	2,320	2,681
	4,306	3,850
Capital commitments:		
Contracted, but not provided for	6,050	8,950



30. COMMITMENTS (CONTINUED)

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

Company	2003 RMB'000	2002 RMB'000
Future minimum lease rentals payable under non-cancellable operating leases expiring:		
Within one year	679	679
In the second to fifth years, inclusive	1,583	2,262
	2,262	2,941

The Group and the Company did not have any other significant capital expenditure and commitments as at 31 December 2003.

31. POST BALANCE SHEET EVENTS

On 19 March 2004, 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 ("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 monthly rental rate 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 2003 amounted to RMB599,758 (2002: RMB448,000).



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 19 March 2004.





NOTICE IS HEREBY GIVEN that the annual general meeting of Sino Stride Technology (Holdings) Limited (the "Company") will be held at the Kellett Room III, 3/F, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong, on Monday 7 June 2004 at 10:30a.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 2003.
- (2) To declare a final dividend.
- (3) To re-elect directors and 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 the 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.”

(6) As special business, to consider and if thought fit, pass the following resolutions as special resolutions:

“THAT the articles of association of the Company be amended as follows:

A. by adding the following definition in Article 2 immediately after the definition of “Articles”:

“associate” the meaning attributed to it in the rules of the Designated Stock Exchange.

B. by deleting Article 76 and substituting thereof the following:

76. (1) No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.





- (2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

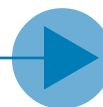
C. by deleting Article 88 and substituting thereof the following:

88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.



D. By deleting Article 103 and substituting thereof the following:

103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:
 - (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;



- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
- (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.



- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.



- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

By the order of the Board

Sino Stride Technology (Holdings) Limited

Yim Wai Man

Company Secretary

Hong Kong
29 March 2004

Head Office and Principal Place of Business:

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

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 2 June 2004 to 7 June 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers accompanied by the 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 no later than 4:00 p.m. on (Tuesday) 1 June 2004.
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 forty-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 Rules 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 2003 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 forty-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.