



SINO STRIDE

**SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED**

**中程科技集團有限公司\***

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

## **Third Quarterly Report 2004**

\* *For identification purpose only*

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*This report, for which the directors (the “Directors”) of Sino Stride Technology (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Sino Stride Technology (Holdings) Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



# SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

## 中程科技集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)

### THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004 (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2004 (the “Relevant Period”), together with the comparative figures for the nine months ended 30 September 2003 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2004	2003	2004	2003
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	67,333	59,174	184,898	133,663
Cost of sales		(51,376)	(42,455)	(145,092)	(97,768)
Gross profit		15,957	16,719	39,806	35,895
Other revenue	2	111	496	313	1,142
Selling and distribution costs		(7,009)	(1,324)	(12,920)	(7,111)
Administrative costs		(2,538)	(1,229)	(12,749)	(8,506)
Other operating costs		(164)	(347)	(164)	(380)
Profit from operating activities	4	6,357	14,315	14,286	21,040
Finance costs	5	(1,055)	(832)	(2,819)	(1,901)
Share losses of associates		(206)	(226)	(211)	(474)
Profit before tax		5,096	13,257	11,256	18,665
Tax	6	(1,127)	(1,814)	(2,384)	(2,919)
Net profit before minority interests		3,969	11,443	8,872	15,746
Minority interests		324	(147)	254	(265)
Net profit from ordinary activities attributable to shareholders		4,293	11,296	9,126	15,481
Earnings per share					
–Basic (RMB cents)	7	0.4 cents	1.00 cents	0.8 cents	1.4 cents

\* For identification purpose only.

## NOTES TO THE CONDENSED CONSOLIDATED RESULTS

### 1. Basis of preparation and consolidation

The Company was incorporated in the Cayman Islands on 12 December 2001 as an exempted limited company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on GEM on 29 July 2002.

The Group is principally engaged in the development and provision of system integration solutions and software development in the PRC.

The unaudited consolidated results have been prepared under the 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. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules.

### 2. Turnover and revenue

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	67,333	59,174	184,898	133,663
Amortisation of negative goodwill	—	87	—	263
Interest income	78	83	264	307
Government grants	—	305	—	465
Others	33	21	49	107
Other revenue	111	496	313	1,142
Total revenue	<u>67,444</u>	<u>59,670</u>	<u>185,211</u>	<u>134,805</u>

### 3. Segment information

(a) *Business segment*

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

(b) *Geographical segment*

The following table present revenue, results and expenditure information for the Group's geographical segments for the nine months ended 30 September 2004.

	Unaudited nine months ended 30 September					
	Hong Kong SAR		of the PRC		The Mainland	
	2004	2003	2004	2003	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>25,181</u>	<u>29,727</u>	<u>159,717</u>	<u>103,936</u>	<u>184,898</u>	<u>133,663</u>
Segment results	3,144	6,840	13,390	15,544	16,534	22,384
Unallocated corporate expenses					(2,543)	(2,749)
Amortisation of negative goodwill					–	263
Amortisation of goodwill					(18)	–
Other revenue					313	1,142
Profit from operating activities					14,286	21,040
Finance costs					(2,819)	(1,901)
Share losses of associates					(211)	(474)
Profit before tax					11,256	18,665
Tax					(2,384)	(2,919)
Profit before minority interests					8,872	15,746
Minority interests					254	(265)
Net profit attributable to shareholders					<u>9,126</u>	<u>15,481</u>

#### 4. Profit from operating activities

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

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Cost of sales	51,376	42,455	145,092	97,768
Auditors' remuneration	185	99	584	344
Amortisation of intangible assets	236	3	828	63
Amortisation of negative goodwill	—	(87)	—	(263)
Amortisation of goodwill	6	—	18	—
Interest income	(78)	(83)	(264)	(307)
Depreciation	416	369	1,572	1,299
Interest on bank loans repayable within one year	918	645	2,582	1,635
Minimum lease payment under operating leases for buildings	565	306	1,679	772
Staff costs:				
Retirement benefits	157	179	413	617
Accommodation benefits	159	55	259	245
Other staff costs	3,358	2,067	9,649	7,252
Total staff costs	3,674	2,301	10,321	8,114
Less: Amount classified as deferred development costs	(292)	(922)	(859)	(922)
	<b>3,382</b>	<b>1,379</b>	<b>9,462</b>	<b>7,192</b>

#### 5. Finance costs

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank loans repayable within one year	918	645	2,582	1,635
Bank charges and commissions	137	187	237	266
	<b>1,055</b>	<b>832</b>	<b>2,819</b>	<b>1,901</b>

## 6. Tax

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Provision for the period				
– Hong Kong SAR	<b>131</b>	1,026	<b>492</b>	1,026
– The mainland of PRC	<b>996</b>	788	<b>1,892</b>	1,893
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>1,127</b>	1,814	<b>2,384</b>	2,919
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profit tax has been provided at 17.5% on the estimated assessable profits arising in Hong Kong during the Relevant Period. Taxes on profits assessable elsewhere has been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

According to the Income Tax Law of the People's Republic of China (the "PRC"), Sino Stride Technology Co., Ltd. ("SST") and Hangzhou Sino Stride Xingda Computer System Co., Ltd. ("Xingda Computer"), the PRC subsidiaries of the Company, are both qualified as an advanced technology enterprise and operates in one of the approved high and new technology industrial development zones of the PRC and thus subject to a corporate tax rate of 15%, being preferential tax rate applicable to companies operating in approved high and new technology industrial development zones of the PRC.

Beijing Sino Stride Powerlink Technology Co., Ltd ("Beijing Sino Stride"), a PRC subsidiary of the Company, which is qualified as 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 1 January 2004 to 31 December 2006.

The applicable Hong Kong corporate income tax rate of Ever Create Profits Limited., a subsidiary of the Company which operates in Hong Kong, is 17.5% 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 period since the respective incorporation dates.

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

## 7. Earnings per share

The calculation of basic earnings per share for the three months and nine months periods ended 30 September 2004 is based on the net profit attributable to shareholders of approximately RMB4,293,000 and RMB9,126,000 (2003: RMB11,296,000 and RMB15,481,000) and the weighted average number of 1,084,186,087 and 1,084,122,145 ordinary shares in issue for the three months and nine months ended 30 September 2004 respectively (2003: 1,084,090,000 ordinary shares).

The share options outstanding as set out under the heading "SHARE OPTION SCHEME" did not have a material dilutive effect on the basic earning per share.

## 8. Interim dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (2003: Nil).

## 9. Related party transactions

On 19 April 2002, Sino Stride Holdings Limited (the "HKSS"), a company beneficially owned by Mr. Chau Chit, a Director, Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wong Wai Tin, a Director, in the proportion of 50%, 30% and 20%, respectively, as landlords, entered into two leases with the Company as tenant in respect of (i) the premises located at Rooms 3113, 3115 and 3116, 31/F., New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon Hong Kong for use as its warehouse 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 rent of HK\$21,000 and HK\$26,000, respectively, as determined based on approximate prevailing market prices. The corresponding rental expenses of the Group for the nine months ended 30 September 2004 amounted to RMB 448,380 (2003: RMB448,380).

## 10. Share capital and reserves

Movement in the share capital and reserves of the Group were as follows:

	Issued capital	Share premium	Contri- bution surplus	Statutory surplus reserve	Enterprise expansion fund	Exchange fluctuation reserve	Retained profits	Total
<i>Notes</i>	RMB'000	RMB'000	(a) RMB'000	(b) RMB'000	(c) RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2003	11,491	69,800	13,499	1,785	951	-	34,435	131,961
Net profit for the period	-	-	-	-	-	-	15,481	15,481
Transferred to reserves	-	-	-	644	644	-	(1,288)	-
Dividends	-	-	-	-	-	-	(13,790)	(13,790)
As at 30 September 2003	<u>11,491</u>	<u>69,800</u>	<u>13,499</u>	<u>2,429</u>	<u>1,595</u>	<u>-</u>	<u>34,838</u>	<u>133,652</u>
As at 1 January 2004	11,491	69,800	13,499	2,480	1,611	240	51,054	150,175
Share issue under share option scheme (d)	23	773	-	-	-	-	-	796
Exchange realignment	-	-	-	-	-	(240)	-	(240)
Derecognition of negative good will	-	-	-	-	-	-	586	586
Net profit for the period	-	-	-	-	-	-	9,126	9,126
Transferred to reserves	-	-	-	738	738	-	(1,476)	-
Dividends	-	-	-	-	-	-	(13,758)	(13,758)
As at 30 September 2004	<u>11,514</u>	<u>70,573</u>	<u>13,499</u>	<u>3,218</u>	<u>2,349</u>	<u>-</u>	<u>45,532</u>	<u>146,685</u>

**(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 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 its profit 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 its profit 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 the liquidation of these subsidiaries. EEF must be used for production and operation expansion purposes.

**(d) Shares issued under share option scheme**

On 27 September 2004, options were exercised to subscribe for 2,210,000 shares at a consideration of HK\$0.34 per share, of which HK\$0.01 per share was credited to the share capital and the balance of HK\$0.33 was credited to the share premium of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview

For the Relevant Period, the Group recorded a turnover of approximately RMB185 million, representing an increase of approximately 38% over the nine months ended 30 September 2003. The turnover was primarily derived from the provision of system integration solution of approximately RMB123 million, computer network system integration solution of approximately RMB61 million and system software of approximately RMB1 million. The growth in the turnover of the Group for the Relevant Period was mainly attributed to several large engagements in system integration solution projects including 蘇州國際博覽中心 (Shuzou International Exhibition Centre), 深圳規劃大廈 (Shenzhen City Guihua Building), 無錫市體育中心 (Sport Complex of Wuxi City) and 溫州市行政中心西樓 (West Wing of Administration Building of Wenzhou City). Besides, there was approximately RMB21 million turnover derived from Beijing Sino Stride during the Relevant Period while it was dormant during the nine months ended 30 September 2003.

During the Relevant Period, the Group recorded a gross profit of approximately RMB40 million, representing a profit margin of approximately 22% as compared to the gross profit margin of 27% for the nine months ended 30 September 2003. The decrease in gross profit margin was mainly attributable to (i) the sub-contracting and cooperation arrangement of smaller-sized projects. As the labour intensive system integration works of those smaller-sized projects were carried out by those sub-contractors and partners, the role of the Group therefore shifted towards focusing on the design of solutions, quality controls and project management. This arrangement enabled the Group bid for and focus its resources on larger-sized projects. However it also resulted in lower profit margin in smaller-sized projects; (ii) increased competition in the industry of system integration solution business; and (iii) the profit margin of increased sales through Beijing Sino Stride, was relatively lower than that of the Group. Beijing Sino Stride, served as a trading vehicle to procure hardware and software on behalf of the Group's customers. Due to its trading nature, gross profit margin of Beijing Sino Stride was relatively lower than that of the Group.

The percentage of selling and distribution expense to turnover increased from 5% for the nine months ended 30 September 2003 to 7% for the Relevant Period. The increase was due to increased tendering activities of projects in remote area such as Chongqing under the strategy of expanding market coverage outside Zhejiang Province, the remoteness of projects increased the selling and distribution expense. Furthermore, more resources were employed on bidding of larger-sized projects which generally have longer lag time between incurring selling and distribution expense and recognising revenue. This also resulted in higher percentage of selling and distribution expense to turnover.

Administrative costs for the Relevant Period increased by RMB4 million because (i) the Company and its subsidiaries in Hangzhou incurred extra relocation expense for office removal during the Relevant Period; (ii) additional legal and professional costs were incurred for the Company's plan to list its shares on the main board of the Stock Exchange (the "Main Board") by way of introduction; and (iii) Beijing Sino Stride, started its operation during the Relevant Period while it was dormant for the nine months ended 30 September 2003.

For the Relevant Period, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately RMB9,000,000, representing a decrease of approximately 41% over the nine months ended 30 September 2003.

## **OPERATIONS REVIEW**

In January 2004, “SST was awarded as one of the 2003 年度華東十家最具潛力IT企業(Top Ten Highest Potential IT Enterprise in Eastern China of Year 2003) by 中國計算機報(PCR Computer Newspaper) and 賽迪顧問股份有限公司(CCID Consulting Company Limited). On 16 February 2004, SST was awarded as the 杭州高新技術開發區2003年度先進企業(Advanced Enterprise 2003 of Hangzhou High-Tech Development Zone) and 沈越先生(Mr. Shen Yue), a Director, was awarded as the 杭州高新技術開發區2003年度經濟發展突出貢獻企業家獎(Outperformed Entrepreneur in Economic Development 2003 of Hangzhou Hi-Tech Development Zone), respectively by the government of Bin Jiang District. In February 2004, SST 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) which entitles the Group to enjoy preferential enterprise income tax rate. On 2 February 2004, Enterasys Networks Singapore Pte Ltd. (“Enterasys”) awarded the Group as “The Best Value Added Distributor in China of Year 2003” and “Outperformed Partner of Enterasys in Asia Pacific of Year 2003”. In June 2004, SST was awarded 中國軟件產業最大規模100強(Top 100 Large Scale PRC Software Enterprise) by the Ministry of Information Industry of the PRC (“MIIT”).

During the Relevant Period, the Group successfully bid for several large intelligent building system and value added service solution projects such as 山東省臨淄市工商行政管理局大樓(Bureau of Commerce and Industry Building of Lin Zi City in Shandong Province), 上海仁濟醫院二期外科病房大樓(Phase II Surgery Building of Shanghai Renji Hospital), 安徽省電網生產調度大樓(Anhui Provincial Electricity Network Production and Controlling Building), 浙江省地方稅局大樓(Zhejiang Provincial Tax Bureau Building); 人民解放軍總參軍隊機房(People Liberation Army Commanding Headquarter Machinery Building); and 重慶市國際會議展覽中心(Chongqing International Conference and Exhibition Centre).

As for the provision of intelligent traffic system (“ITS”), the Group successfully bid for the project of 縉雲交通警察電子警察系統(Jin Yu Electronic Traffic Police System) and 瑞安公安治安動態監控系統(Rui On District Police Monitoring & Control System).

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

## **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 Directors believe that the demand for system integration solutions and value added service solutions 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 surge 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 is a growth potential for the Group’s business.

The Ministry of Construction (“MOC”) and the MII of the PRC promulgated market entry requirements and qualification verification process for system integration solutions and value added service solution providers respectively, new competitors without recognition are difficult to accumulate relevant experience and technology to fulfill the market entry requirements to enter this regulated market. Leveraging on the Group’s compliance with the market entry requirements, grade A standard in system integration solutions and value added service solution, the prominent market position recognised by awards such as “Top Ten Software Enterprise” of Zhejiang Province, “2003 Most Promising PRC Enterprise” and “Outstanding Software Enterprise of Year 2003” defined by the National Development Bureau of the PRC, the Group will continue to increase its marketing efforts, expand its market coverage to other provinces in PRC.

Unlike small system integration providers without self-developed products under their own brand name and technology know how, the cooperation with reputable enterprises and research institutions like Singapore Technologies Electronic Limited and Zhejiang University supply the Group with necessary human resources, research and development capabilities for developing proprietary software technology and products with the brand name of “Sino Stride” to satisfy market 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.

#### **DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 September 2004, the beneficial interests of the Directors in the share capital of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (the “SFO”), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions in which they are taken or deemed to have taken under such provisions of the SFO), or which will be required pursuant to Section 352 of the SFO to be entered in the register referred therein or required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to Securities transactions by Directors, to be notified to the Company and the Stock Exchange are as follows:

##### **Long position in Shares**

<b>Name of Director</b>	<b>Personal interests <sup>(1)</sup></b>	<b>Number of shares held</b>		<b>Total</b>	<b>Approximate percentage of interest</b>
		<b>Corporate interests <sup>(1)</sup></b>			
Mr. Chau Chit <sup>(2)</sup>	–	540,000,000 (L)		540,000,000	49.71%
Mr. Wong Wai Tin <sup>(2)&amp;(3)</sup>	2,500,000 (L)	–		2,500,000	0.23%

## Long position in equity derivatives in, or in respect of, underlying Shares

Name of Director	Number of share option held		Approximate percentage of interest
	Personal interests <sup>(1)</sup>	Total	
Mr. Chau Chit	3,000,000(L) options under the share option scheme	3,000,000	0.28%
Mr. Wong Wai Tin	2,000,000(L) options under the share option scheme	2,000,000	0.18%
Mr. Shen Yue	1,000,000(L) options under the share option scheme	1,000,000	0.09%

### Notes:

- (1) The letter “L” denotes the person’s long position in such shares or or underlying shares.
- (2) 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.
- (3) On 8 January 2004, Mr. Wong personally purchased 2,500,000 shares representing approximately 0.23% of the issued share capital of the Company.

Save as disclosed above, as at 30 September 2004, none of the Directors or chief executive of the Company has any interests or short positions in the share, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred therein, or required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to Securities transactions by Directors, to be notified to the Company and the Stock Exchange.

## DIRECTORS’ RIGHT TO ACQUIRE SHARES

Save as disclosed in the Share Option Scheme (as defined below), at no time during the Relevant Period 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 subsidiary and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquiring of shares in the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 September 2004, so far as the Directors are aware, the following persons or companies had interests or short position in shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO:

### Long position in Shares

Name	Company/Name of Group member	Capacity/ Nature of interest	Number of shares/ amount of registered capital directly or indirectly held/owned <sup>(1)</sup>	Approximate Percentage of interest
Mega Start <sup>(2)</sup>	Company	Beneficial owner	540,000,000(L)	49.71%
Mr. Chau Chit <sup>(2)</sup>	Company	Interest of a controlled corporation	540,000,000(L)	49.71%
Ms. Ting Hiu Wan <sup>(2)</sup>	Company	Interest of a controlled corporation	540,000,000(L)	49.71%
Mr. Wong Wai Tim <sup>(2)</sup>	Company	Beneficial owner	2,500,000(L)	0.23%
Singapore Technologies Electronics Limited ("ST Electronics") <sup>(3)</sup>	Company	Beneficial owner	216,000,000(L)	19.88%
Singapore Technologies Engineering Ltd ("ST Engineering") <sup>(3)</sup>	Company	Interest of a controlled corporation	216,000,000(L)	19.88%
Singapore Technologies Pte Ltd ("STPL") <sup>(3)</sup>	Company	Interest of a controlled corporation	216,000,000(L)	19.88%
Temasek Holdings (Private) Ltd ("Temasek Holdings") <sup>(3)</sup>	Company	Interest of a controlled corporation	216,000,000(L)	19.88%
孟惠強 (Meng Hui Qiang)	北京中程匯強科技有限公司 (Beijing Sino Stride Powerlink Technology Co., Ltd.)	Beneficial owner	RMB2,500,000(L)	25%
鄭篠祥 (Zheng You Xiang)	杭州維科軟件工程 有限責任公司 (Hangzhou Vico Software Engineering Co., Ltd.)	Beneficial owner	RMB225,000(L)	15%
段會龍 (Duan Hui Long)	杭州維科軟件工程 有限責任公司 (Hangzhou Vico Software Engineering Co., Ltd.)	Beneficial owner	RMB225,000(L)	15%
呂蘇英 (Lu Su Ying)	杭州維科軟件工程 有限責任公司 (Hangzhou Vico Software Engineering Co., Ltd.)	Beneficial owner	RMB150,000(L)	10%

## Long position in equity derivatives in, or in respect of, underlying Shares

Name	Personal interests <sup>(1)</sup>	Family interest <sup>(1)</sup>	Total	Approximate percentage of interest
Mr. Chau Chit	3,000,000(L) options under the share option scheme	–	3,000,000	0.28%
Ms. Ting Hiu Wan	–	3,000,000(L) options under the share option scheme	3,000,000	0.28%
Mr. Wong Wai Tin	2,000,000(L) options under the share option scheme	–	2,000,000	0.18%
Mr. Shen Yue	1,000,000(L) options under the share option scheme	–	1,000,000	0.09%

### Notes:

- (1) The letter “L” denotes the person’s long position in such shares or underlying shares.
- (2) 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.
- (3) ST Electronics is a wholly-owned subsidiary of ST Engineering whose shares are listed on the Singapore Exchange Securities Trading Limited. Temasek Holdings holds controlling interest in STPL which, in turn, holds controlling interest in ST Engineering. Pursuant to Part XV of the SFO, ST Engineering, STPL and Temasek Holdings are taken to be interested in the shares held by ST Electronics.

Save as disclosed herein, the Directors are not aware of any person who had an interest or a short position in shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any other substantial shareholders whose interest or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

Pursuant to written resolutions of the shareholders of the Company dated 16 July 2002, a share option scheme (the “Share Option Scheme”) was approved and adopted. A summary of the terms of the Share Option Scheme is set out in Appendix V of the Company’s prospectus (the “Prospectus”) dated 23 July 2002.

Under the Share Option Scheme, the Board 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 Share Option Scheme will be determined by the Board, which shall be calculated with reference to the higher of (i) the closing price of the shares on GEM on the date of grant of the option; (ii) the average closing price of the share on the GEM for the five trading days immediately preceding the date of grant of option; and (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the Share Option 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 from time to time. The Share Option 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 Share Option Scheme in any 12 months period up to the date of grant to such person exceeding 1% of the number of shares for the time being in issue and which may fall to be issued under the Share Option Scheme, unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associate abstaining from voting.

On 27 August 2004, the Board resolved to amend clauses 5.3(A) and (B) and clause 9.2 of the rules of the Share Option Scheme to comply with the new requirement under rules 23.04(1) and 23.05(1) and (2) of the GEM Listing Rules. On the same day, the Company granted certain employees under the Share Option Scheme a total of 12,000,000 share options to subscribe for shares of HK\$0.01 each in the capital of the Company which are exercisable at any time from 27 August 2004 to 26 August 2014 at an exercise price of HK\$0.34 per share. The price of the Company's shares as at the date of the grant of the share option was HK\$0.34, which is the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant. Share options do not confer rights on the holders to dividends or vote at shareholders' meetings.

On 27 September 2004, options were exercised by certain employees to subscribe for 2,210,000 shares at a consideration of HK\$0.34 per share.

As at 30 September 2004, 6,000,000 options have been granted under the Share Option Scheme to the Directors as follows:

Name of Director	Number of options	Number of underlying shares	Capacity	Approximate percentage of interest	Exercise price
Mr. Chau Chit	3,000,000	3,000,000	Beneficial owner	0.28%	HK\$0.34
Mr. Wong Wai Tin	2,000,000	2,000,000	Beneficial owner	0.18%	HK\$0.34
Mr. Shen Yue	1,000,000	1,000,000	Beneficial owner	0.09%	HK\$0.34

## DIRECTORS' INTEREST IN COMPETING BUSINESS

ST Electronics (Shanghai) Co., Ltd., a wholly foreign-owned enterprise established by ST Electronics in Shanghai, the PRC, may engage in the business of intelligent building systems and home automation systems in the PRC through joint ventures. Mr. Ng Chong Khim, a non-executive Director, is a member of the senior management of ST Electronics. Mr. Ng Chong Khim is not involved in the day to day management of ST Electronics (Shanghai) Co., Ltd. Through the share options scheme in ST Engineering (which owns 100% of ST Electronics), Mr. Ng Chong Khim may from time to time own shares or share options in ST Engineering.

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 30 September 2004.

## **SPONSOR'S INTEREST**

As at 30 September 2004, neither South China Capital Limited (the "Sponsor") nor its Directors or employees or associates, had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group. Pursuant to an agreement (the "Sponsor Agreement") dated 23 July 2002, entered into between the Company and the Sponsor, the Sponsor has agreed to act as a sponsor to the Company for the purpose of the GEM Listing Rules for a fee from the date on which dealings in shares on GEM commence (i.e. 29 July 2002) to 31 December 2004 or until the Sponsor Agreement is terminated upon the terms and conditions set out therein.

## **AUDIT COMMITTEE**

The Company established an audit committee on 16 July 2002 with written terms of reference in compliance with Rules 5.28, 5.29 and 5.30 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report 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 control system of the Group. The Group's unaudited consolidated results for the Relevant Period have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM and legal requirements, and that adequate disclosures had been made.

The audit committee has three members comprising the three independent non-executive Directors, Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang, Richard. The audit committee held three meetings in this period to perform the functions specified in the GEM listing Rules.

## **COMPLIANCE WITH RULES 5.35 TO 5.45 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 5.35 to 5.45 of the GEM Listing Rules during the Relevant Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the Relevant Period, the Company adopted a code of conduct regarding dealing in securities set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries with all Directors and the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by Directors.

**SUBMISSION OF AN ADVANCE BOOKING FORM FOR THE PROPOSED LISTING ON THE MAIN BOARD BY WAY OF INTRODUCTION**

On 30 July 2004, the Directors announced that the Company plans to list the shares of the Company on the Main Board by way of introduction. An advance booking form for the proposed listing on the Main Board by way of introduction was submitted to the Stock Exchange on 30 July 2004.

By order of the Board  
**Sino Stride Technology (Holdings) Limited**  
**Chau Chit**  
*Chairman*

Hangzhou, the PRC  
12 November 2004

*As at the date of this report, the Board comprises of the executive Directors, namely, Mr. Chau Chit (Chairman), Mr. Wong Wai Tin and Mr. Shen Yue; the non-executive Directors, namely, Mr. Wong Wai Kwan and Mr. Ng Chong Khim; and the independent non-executive Directors, namely, Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang, Richard.*