



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)

Interim Report 2005

* *For identification purpose only*

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This report, for which the Directors of Sino Stride Technology (Holdings) Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rule”) 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)

(Stock Code : 8177)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005 (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 six months ended 30 June 2005 (the “Relevant Period”), together with the comparative figures for the six months ended 30 June 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 June		30 June	
		2005	2004	2005	2004
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	64,697	78,727	109,414	117,565
Cost of sales		(53,008)	(66,142)	(84,171)	(93,716)
Gross profit		11,689	12,585	25,243	23,849
Other revenue	3	242	59	1,014	202
Selling and distribution costs		(2,936)	(2,744)	(8,250)	(5,911)
Administrative costs		(4,771)	(5,679)	(11,799)	(10,211)
Profit from operating activities	5	4,224	4,221	6,208	7,929
Finance costs	6	(1,128)	(849)	(2,124)	(1,764)
Share profits/(losses) of associates		151	11	(95)	(5)
Profit before tax		3,247	3,383	3,989	6,160
Income tax	7	872	(670)	832	(1,257)
Profit for the period		4,119	2,713	4,821	4,903
Attributable to:					
Shareholders of the Company		3,695	2,583	4,170	4,833
Minority interests		424	130	651	70
		4,119	2,713	4,821	4,903
Earnings per share					
–Basic and diluted (RMB cents)	8	0.34	0.24	0.38	0.45

* For identification purpose only.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

		(Unaudited) 30 June 2005 RMB '000	(Audited) 31 December 2004 RMB '000
	Notes		
Non-current assets			
Property, plant and equipment	10	9,585	10,796
Intangible assets	11	8,052	8,435
Goodwill		163	163
Interests in associates	12	4,442	2,662
Long term investments		2,500	2,500
Total non-current assets		<u>24,742</u>	<u>24,556</u>
Current assets			
Cash and cash equivalents		16,787	58,178
Deposit pledged with financial institutions	13	13,449	11,675
Trade receivables	14	87,060	84,548
Prepayments, deposits and other receivables		77,266	51,069
Unbilled amount due from customers for contract works		155,770	146,041
Inventories		60,038	18,459
Total current assets		<u>410,370</u>	<u>369,970</u>
Current liabilities			
Bank loans	15	73,000	67,873
Trade and notes payable	16	119,604	101,240
Accrued liabilities and other payables		76,239	51,391
Tax payable		3,955	7,047
Total current liabilities		<u>272,798</u>	<u>227,551</u>
Net current assets		<u>137,572</u>	<u>142,419</u>
Total assets less current liabilities		<u>162,314</u>	<u>166,975</u>
Non-current liabilities			
Deferred income		–	95
Net assets		<u>162,314</u>	<u>166,880</u>
Represented by:			
Capital and reserves			
Issued capital		11,514	11,514
Reserves		143,928	148,970
		<u>155,442</u>	<u>160,484</u>
Minority interests		6,872	6,396
		<u>162,314</u>	<u>166,880</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2005

	(Unaudited)	
	Six months ended 30 June	
	2005	2004
	RMB '000	RMB '000
Net cash inflow/(outflow) from operating activities	(33,977)	2,695
Net cash outflow from investing activities	(1,205)	(2,555)
Net cash inflow/(outflow) before financing	(35,182)	140
Net cash outflow from financing	(6,209)	(26,834)
Decrease in cash and cash equivalents	(41,391)	(26,694)
Cash and cash equivalents at the beginning of period	58,178	74,792
Effect of foreign exchange rate changes, net	–	(240)
Cash and cash equivalents at the end of period	16,787	47,858
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	16,787	47,858

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Notes	Issued Capital	Share premium	Contribution surplus (a)	Statutory surplus reserve (b)	Enterprise expansion fund (c)	Exchange fluctuation reserve	Retained profits	Minority interests	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
As at 1 January 2005	11,514	70,573	13,499	3,230	2,349	14	59,305	6,396	166,880
Net profit for the period	–	–	–	–	–	–	4,170	651	4,821
Dividends	–	–	–	–	–	–	(9,212)	(175)	(9,387)
As at 30 June 2005	11,514	70,573	13,499	3,230	2,349	14	54,263	6,872	162,314
As at 1 January 2004	11,491	69,800	13,499	2,480	1,611	240	51,054	5,717	155,892
Exchange reignment	–	–	–	–	–	(240)	–	–	(240)
Derecognition of negative goodwill	–	–	–	–	–	–	587	–	587
Net profit for the period	–	–	–	–	–	–	4,833	70	4,903
Transferred to reserves	–	–	–	738	738	–	(1,476)	–	–
Dividends	–	–	–	–	–	–	(13,758)	(150)	(13,908)
As at 30 June 2004	11,491	69,800	13,499	3,218	2,349	–	41,240	5,637	147,234

Notes:

(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 its profit after tax, as determined in accordance with the accounting principle 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.

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 (2001 Second Revision) of the Cayman Island. The Company's shares were listed on GEM of the Stock Exchange on 29 July 2002.

The Group is principally engaged in the development and provision of system integration solutions in the People's Republic of China (the "PRC") and the Hong Kong Special Administrative Region (the "Hong Kong SAR").

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 and the disclosure requirements of the Hong Kong Companies Ordinance.

2. Changes in accounting policies

The accounting policies adopted are consistent with those adopted in the previous year except that the Group has adopted the following accounting standards which are mandatory for the financial years beginning on and after 1 January 2005. The principal effect of this decision is discussed below:

- IFRS 2 – Share-based Payment; and
- IFRS 5 – Non-Current Assets Held For Sale and Discontinued Operations.

IFRS 2 and IFRS 5 did not have material effect on the Group's results of operations and financial position during the period.

3. 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		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	64,697	78,727	109,414	117,565
Amortisation of negative goodwill	–	(88)	–	–
Interest income	51	138	124	186
Others	191	9	890	16
	<hr/>	<hr/>	<hr/>	<hr/>
Other revenue	242	59	1,014	202
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	64,939	78,786	110,428	117,767
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4. 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.

(b) *Geographical segment*

The following table presents revenue, profits and expenditure information for the Group's geographical segments for the six months ended 30 June 2005.

	Hong Kong SAR		The Mainland of the PRC		Consolidated	
	2005	2004	Unaudited six months ended 30 June		2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>1,700</u>	<u>13,156</u>	<u>107,714</u>	<u>104,409</u>	<u>109,414</u>	<u>117,565</u>
Segment results	(9)	2,062	8,205	7,407	8,196	9,469
Unallocated						
corporate expenses					(1,988)	(1,730)
Amortisation of goodwill					–	(12)
Other revenue					–	202
Profit from operating activities					6,208	7,929
Finance costs					(2,124)	(1,764)
Share of losses of associates					(95)	(5)
Profit before tax					3,989	6,160
Income tax					832	(1,257)
Profit for the period					<u>4,821</u>	<u>4,903</u>
Attributable to:						
Shareholders of the Company					4,170	4,833
Minority interests					651	70
					<u>4,821</u>	<u>4,903</u>

5. Profit from operating activities

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	53,008	66,142	84,171	93,716
Auditors' remuneration	95	238	402	399
Amortisation of intangible assets	678	503	954	592
Amortisation of negative goodwill	–	88	–	–
Amortisation of goodwill	–	6	–	12
Depreciation of property, plant and equipment	563	563	1,134	1,156
Minimum lease payment under operating leases for buildings	721	562	1,468	1,114
Loss/(gain) on disposal of property, plant and equipment	14	–	(6)	–
Staff costs:				
Retirement benefits	52	145	162	256
Accommodation benefits	82	11	165	100
Other staff costs	4,171	3,038	8,887	6,291
	4,305	3,194	9,214	6,647
Less: Amount classified as deferred development costs	–	(154)	–	(567)
Total staff costs	4,305	3,040	9,214	6,080

6. Finance costs

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans repayable within one year	1,085	820	2,047	1,664
Bank charges and commissions	43	29	77	100
	1,128	849	2,124	1,764

7. Income tax

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision for the period				
– Hong Kong SAR	–	178	–	361
– The mainland of PRC	397	492	668	896
	397	670	668	1,257
Overprovision in prior year – The PRC	(1,269)	–	(1,500)	–
Total	(872)	670	(832)	1,257

Hong Kong profits tax has not been provided as the Group did not general any assessable profits arising in Hong Kong during the period. Hong Kong profits tax has been provided at 17.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2004. 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.

According to the Income Tax Law of the PRC, Sino Stride Technology Co., Limited (“SST”), a PRC subsidiary of the Company, is qualified as advanced technology enterprises and operate in one of the approved high and new technology industrial development zones of the PRC and thus are subject to a corporate income tax rate of 15% (2004: 10%), being the 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 three years starting from 1 January 2004 to 31 December 2006.

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 other subsidiaries of the Company as they incurred losses during the six months ended 30 June 2005 and 2004.

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

8. Earnings per share

The calculation of basic earnings per share for the three months and six months periods ended 30 June 2005 is based on the net profit attributable to shareholders of approximately RMB3,695,000 and RMB4,170,000 (2004: RMB2,583,000 and RMB4,833,000) and the number of 1,086,300,000 ordinary shares in issue for the three months and six months ended 30 June 2005 (2004: 1,084,090,000 ordinary shares).

Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the three months and six months periods ended 30 June 2005 and 2004.

9. Interim dividends

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

10. Property, plant and equipment

	(Unaudited) At 30 June 2005 <i>RMB'000</i>	(Audited) At 31 December 2004 <i>RMB'000</i>
Net book value, beginning of period/year	10,796	8,471
Additions	644	5,303
Disposal	(721)	(650)
Exchange realignment	–	(5)
Depreciation	<u>(1,134)</u>	<u>(2,323)</u>
Net book value, end of period/year	<u>9,585</u>	<u>10,796</u>

11. Intangible assets

	Deferred development costs (Unaudited) At 30 June 2005 <i>RMB'000</i>	(Audited) At 31 December 2004 <i>RMB'000</i>
Net booked value, beginning of period/year	8,435	7,019
Additions	571	2,489
Amortisation charge	<u>(954)</u>	<u>(1,073)</u>
Net book value, end of period/year	<u>8,052</u>	<u>8,435</u>

12. Interest in associates

	(Unaudited) At 30 June 2005 <i>RMB'000</i>	(Audited) At 31 December 2004 <i>RMB'000</i>
Share of net assets of associates	<u>4,442</u>	<u>2,662</u>

Particulars of the associates at 30 June 2005 are as follows:

Company	Business structure	Place of incorporation and operations	Paid-up capital <i>RMB'000</i>	Percentage of equity interest attributable to the Group	Principal activities
Zhejiang University Sino Stride Fire Prevention Engineering Co., Ltd 浙江浙大中程消防工程有限公司	Corporate	PRC	800	36.6%	Fire prevention system installation
Zhejiang Sino Stride Hospital Xingda System Technology Co., Ltd 浙江中程興達醫療設備有限公司	Corporate	PRC	1,000	27.8%	Sale of medical equipment
Shenzhen Fasten Sino Stride Technology Co., Ltd 深圳市法爾勝中程科技有限公司	Corporate	PRC	5,000	39%	Sale of hardware and equipment related to system solution and system design.
Star Automotive Center (Zhejiang) Co., Ltd. 浙江星時達汽車專業維護有限公司	Corporate	PRC	12,750	25%	Provision of repair and maintenance services for motors and intelligent traffic system

13. Deposit pledged with financial institutions

	(Unaudited) At 30 June 2005 <i>RMB'000</i>	(Audited) At 31 December 2004 <i>RMB'000</i>
Fixed deposits	13,449	11,675

The above fixed deposits have been pledged to financial institutions for the issuance of letter of credits and notes payable.

14. Trade receivables

The ages of the trade receivables are analysed as follows:

	(Unaudited) At 30 June 2005 RMB'000	(Audited) At 31 December 2004 RMB'000
Outstanding balance with ages:		
Within 90 days	63,478	64,370
Between 91 to 180 days	9,106	17,398
Between 181 to 360 days	11,645	1,292
Between 361 to 540 days	2,831	1,488
	<u>87,060</u>	<u>84,548</u>

The Group generally gives 30 to 120 days' credit terms to its clients for each progress billing based on certain criteria, such as the length of respective business relationship with individual customers and their payments history, background and financial strength. The Group adopts stringent control and supervision over their credit terms granted to clients by reviewing the credit terms for each customer periodically by the Directors.

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

15. Bank loans

	Note	Unaudited 30 June 2005	Audited 31 December 2004
Unsecured	(a)	<u>73,000</u>	<u>67,873</u>

- (a) The unsecured bank loans bear interest at rates ranging from 4.425% to 5.58% (31 December 2004: 4.2% to 5.8%) per annum and are repayable in less than 12 months.

16. Trade and notes payable

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

	(Unaudited) At 30 June 2005 RMB'000	(Audited) At 31 December 2004 RMB'000
Outstanding balance with ages:		
Within 90 days	83,839	80,478
Between 91 to 180 days	10,241	7,401
Between 181 to 360 days	13,454	3,889
Over 360 days	12,070	9,472
	<u>119,604</u>	<u>101,240</u>

17. The Commitments

At 30 June 2005, the Group had the following commitments:

	(Unaudited) At 30 June 2005 RMB'000	(Audited) At 31 December 2004 RMB'000
Future minimum lease rentals payable under non-cancelable operating lease expiring:		
Within one year	2,158	2,707
In the second to fifth years, inclusive	1,791	2,749
	<u>3,949</u>	<u>5,456</u>
Capital commitments:		
investment in an associate	1,875	3,750

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the Relevant Period, the Group recorded a turnover of approximately RMB110 million, representing a decrease of approximately 7% over the six months ended 30 June 2005. The turnover was primarily derived from the provision of system integration solutions of RMB82 million, computer network system integration solutions of approximately RMB27 million and system software of approximately RMB1 million. During the Relevant Period, the Group recorded an overall gross profit of approximately RMB25 million, representing a profit margin of approximately of 23%.

Selling and distribution costs, and administrative costs for the six months ended 30 June 2005 increased by RMB2.3 million and RMB1.6 million, respectively.

For the Relevant Period, the Group's net profit from ordinary activities attributable to shareholders amounted to approximately RMB4,170,000, representing a decrease of approximately 13.7% over the six months ended 30 June 2004.

Capital Structure

There has been no change in the capital structure of the Company during the Relevant Period.

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 30 June 2005, the Group had outstanding bank borrowings of RMB73 million. For the details of these bank borrowing, please refer to note 15 of the Notes to the Condensed Consolidated Results. During the Relevant Period, the Group did not create any mortgage.

As at 30 June 2005, the Group's cash and cash equivalents amounted to approximately RMB16.8 million.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. 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 30 June 2005, the Group's gearing ratio was 16.8%.

Significant investments

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the Group did not hold any significant investment as at 30 June 2005.

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 Relevant Period.

Exchange rate risk

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 30 June 2005, the Board was not aware of any material contingent liabilities.

Segmental information

Please refer to note 4 “Segment Information” of the Notes to the Condensed Consolidated Results for details.

Charge on assets

Fixed deposits of RMB13,449,000 (as at 31 December 2004: RMB11,675,000) have been pledged to financial institutions for the issuance of letter of credits and notes payable.

Employees

As at 30 June 2005, the Group had 384 (as at 31 December 2004: 351) employees. The Board believes that the quality of its employees is one of the most important factors 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 30 June 2005.

OPERATIONS REVIEW

For the period ended 30 June 2005, the Group has made a number of achievements in the area of business development. In February 2005, the Group's Sino Stride Property Management System Application Software V1.0 ("Software V1.0") was passed the tests conducted by 浙江省軟件測評中心 and Software V1.0 has been registered in 國家版權局 as the Group's intellectual property. On 1 March 2005, the Group emerged 1st ranking of PRC intelligent building system integration solution providers according to the research carried out 中國建築業協會智能建築專業委員會. In March 2005, Sino Stride Technology Co Limited ("Sino Stride Technology") was awarded 電子工程專業承包企業二級資質 from 浙江省建設廳. With such qualification, Sino Stride Technology is able to bid for, including but not limited to any electronic system projects which are under RMB25 million. In March 2005, Sino Stride Technology was awarded as 2004 浙江省軟件業十強企業 (2004 Zhejiang Province Top Ten Software Enterprise) by Zhejiang Province Information Technology Bureau. In March 2005, Chongqing Sino Stride Technology Company Limited ("Chongqing Sino Stride") was awarded 重慶市衛星設備安裝許可單位. On April 2005, Sino Stride Technology emerged "2004-2005年度華東醫療行業十佳系統集成商" and "2004-2005年度華東智能建築十佳系統集成商" by 電腦商報. On 27 April 2005, Sino Stride Technology was awarded 浙江省守合同重信用AA級. On 10 May 2005, Sino Stride Technology was awarded "2005年中國軟件產業最大規模前100家企業" by Zhejiang Province Information Technology Bureau.

During the six months ended 30 June 2005, the Group successfully bid several large intelligent building system and value added service solution projects such as 浙江大學房地產管理部 (The Property Management Department of Zhejiang University), 浙江省能源集團有限公司, 浙江省烟草公司平陽縣公司, 福建省民主黨派工商聯合聯辦公大樓, 麗水公安局設備採購, 溫州楊府山小區智能化, 河北省疾病預防控制中心實驗樓弱電系統, 嘉興時代廣場弱電系統, 寧波華泰劍橋三期智能化系統, 浙江大學塘北花苑經濟適用房工程, 福建省民主黨派工商聯合聯辦公樓弱電工程, 福建省電力調度通信中心智能化工程, 山東移動通信樞紐交換中心弱電系統工程 and 北京市通信公司綜合業務樓工程弱電系統.

As for the provision of intelligent traffic system ("ITS"), the Group successfully bid for the project 瑞安市公安局 (智能交通). Besides, the projects of 縉雲交通警察電子警察系統 (Jin Yu Electronic Traffic Police System) were completed during the six months ended 30 June 2005. On 30 June 2005, the "安銳"牌 ARAY 1000型公路車輛智能監測記錄系統 (the "System") was passed the test carried out by 公安部交通安全產品質量監督檢中心.

On 23 February 2005, Mega Start Limited ("Mega Start") and Singapore Technologies Electronics Limited ("ST Electronics"), substantial shareholders of the Company, entered into a Share Purchase Agreement in which ST Electronics acquired 88,260,000, approximately 8.12% shares of the issued share capital of the Company from Mega Start at a consideration of HK\$0.315 per shares. Upon the completion of the transaction, ST Electronics' shareholding interest in the Company increased from approximately 19.88% to 28% of the issued share capital of the Company while Mega Start's shareholding interest in the Company decreased from approximately 49.71% to 41.59% of the issued share capital of the Company.

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, and "Outstanding Software Enterprise of Year 2005" 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' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND LONG POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, 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 Rule 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 positions in ordinary shares of the Company

Name	Notes	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital as at 30 June 2005
		Directly beneficially owned	Through controlled corporation			
Directors						
Mr. Chau Chit	(2)	–	451,740,000	451,740,000	41.59%	
Mr. Wong Wai Tin	(2)	–	451,740,000	451,740,000	41.59%	
Mr. Wong Wai Tin	(3)	2,500,000	–	2,500,000	0.23%	

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

Name of Director	Personal interests ⁽¹⁾	Number of share option held	Total	Approximate % of interest
Mr. Chau Chit	3,000,000(L) option under the share option scheme		3,000,000	0.28%
Mr. Wong Wai Tin	2,000,000(L) option under the share option scheme		2,000,000	0.18%
Mr. Shen Yue	1,000,000(L) option 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 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 June 2005, 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 pursuant to the Rule 5.46 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 period ended 30 June 2005 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 IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, 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:

Substantial shareholders	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the company's issued share capital as at 30 June 2005
The Company				
Mega Start	(a)	Directly beneficially owned	451,740,000	41.59%
Mr. Chau Chit	(a)	Through a controlled corporation	451,740,000	41.59%
Ms. Ting Hiu Wan	(a)	Through a controlled corporation	451,740,000	41.59%
Mr. Wong Wai Tin	(a)	Through a controlled corporation	451,740,000	41.59%
	(a)	Directly beneficially owned	2,500,000	0.23%

Long position in Shares

Substantial shareholders	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the company's issued share capital as at 30 June 2005
The Company				
Singapore Technologies Electronics Limited ("ST Electronics")	(b)	Directly beneficially owned	304,260,000	28%
Singapore Technologies Engineering Ltd. ("ST Engineering")	(b)	Through a controlled corporation	304,260,000	28%
Temasek Holdings (Private) Ltd. ("Temasek Holdings")	(b)	Through a controlled corporation	304,260,000	28%
Beijing Sino Stride Powerlink Technology Co., Ltd.				
Meng Hui Qiang	(c)	Directly beneficially owned	2,500,000	25.00%
Hangzhou Vico Software Engineering Co., Ltd.				
Zheng Xiao Xiang	(d)	Directly beneficially owned	225,000	15.00%
Duan Hui Long	(d)	Directly beneficially owned	225,000	15.00%
Lu Su Ying	(d)	Directly beneficially owned	150,000	10.00%

Long position in share option held:

	<i>Notes</i>	Capacity and nature of interest	Number of share option held	Percentage of the company's issued share capital as at 30 June 2005
The Company				
Mr. Chau Chit	(e)	Directly beneficially owned	3,000,000	0.28%
Mr. Wong Wai Tin	(e)	Directly beneficially owned	2,000,000	0.18%
Mr. Shen Yue	(e)	Directly beneficially owned	1,000,000	0.09%

Notes:

- (a) 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.
- (b) 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 ST Engineering. Pursuant to Part XV of the SFO, ST Engineering and Temasek Holdings are taken to be interested in the shares held by ST Electronics.
- (c) The issued capital of Beijing Sino Stride Powerlink Technology Co., Ltd. is beneficially owned by Sino Stride Technology Co., Ltd., a subsidiary company of the Company, and Mr. Meng Hui Qiang.
- (d) The issued capital of Hangzhou Vico Software Engineering Co., Ltd. is beneficially owned by Sino Stride Technology Co., Ltd., a subsidiary company of the Company, Ms. Zheng You Xiang, Mr. Duan Hui Long and Mr. Lu Su Ying.
- (e) On 27 August 2004, share option were granted to certain directors (Mr. Chau Chit, Mr. Wong Wai Tin and Mr. Shen Yue) in respect of their services to the Group under the Share Option Scheme of the Company.

Save as disclosed above, as at 30 June 2005, no person, other than the directors and chief executive of the Company, whose interests are set out in the section “Directors’ and Substantial Shareholders’ Interests in Shares and Underlying Shares” above, had registered an interest or long positions in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and required to be recorded pursuant to 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 Prospectus.

Under the Share Option Scheme, the Directors may, at their discretion, grant option 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 option 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 option 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 option 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 option do not confer rights on the holders to dividends or vote at shareholders’ meetings.

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

The following share option were outstanding under the Share Option Scheme during the period:

Name or category of participant	Number of share option					Date of grant of share option*	Exercise period of share option	Exercise price of share option** HK\$	Price of Company's shares***	
	At 1 January 2005	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2005				At grant date of option HK\$	At exercise date of option HK\$
Directors										
Mr. Chau Chit	3,000,000	-	-	-	3,000,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	-
Mr. Wong Wai Tin	2,000,000	-	-	-	2,000,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	-
Mr. Shen Yue	1,000,000	-	-	-	1,000,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	-
	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>					
Chief executives										
Mr. Wang Ning	70,000	-	-	-	70,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
Mr. Xu Dong Hui	70,000	-	-	-	70,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
Mr. Guo Wei	70,000	-	-	-	70,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,000</u>					
Other employees										
In aggregate	<u>3,240,000</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>3,090,000</u>	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
Total	<u>9,450,000</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>9,100,000</u>					

* The vesting period of the share option is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share option is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share option is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the option. The price of the Company's shares disclosed as at the date of the exercise of the share option is the weighted average of the Stock Exchange closing prices over all of the exercises of option within the disclosure line.

As at 30 June 2005, the Company had 9,100,000 share option outstanding under the Share Option Scheme, which represented approximately 0.8% of the Company's shares in issue as at 30 June 2005. The exercise in full of the remaining share option would, under the present capital structure of the Company, result in the issue of 9,100,000 additional ordinary shares of the Company and additional share capital of RMB96,000 and share premium of RMB3,184,000 (before issue expenses).

DIRECTORS' INTEREST IN COMPETING BUSINESS

ST Electronics (Shanghai) Co., Ltd., a wholly foreign-owned enterprise established by ST Electronics in Shanghai, the PRC, is also engaged in the business of intelligent building systems and home automation systems in the PRC through joint ventures. Mr. Ng Chong Khim and Mr. Tay Hun Kiat, are senior management of ST Electronics, were appointed as non-executive director of the Company on 15 March 2002 and 10 June 2005, respectively. Through the share option scheme in ST Engineering (which owns 100% of ST Electronics), Mr. Ng Chong Khim and Mr. Tay Hun Kiat may from time to time own shares or share option 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 June 2005.

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 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 two meetings during the Relevant Period to perform the functions specified in the GEM Listing Rules.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rules 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

CORPORATE GOVERNANCE

The Company applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules, throughout the six months ended 30 June 2005, except that;

- A.4.1 Not all non-executive directors are appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and
- A.4.2 Not all directors are subject to retirement by rotation at least once every three years.

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 period ended 30 June 2005.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period ended 30 June 2005, the Company adopted a code of conduct regarding of dealing 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.

As at the date of this report, the Company's listing application has remained outstanding for more than 6 months after the filing of the advanced booking form. Hence, the Company has to re-submit a new advanced booking form together with a non-refundable listing fee and a revised timetable pursuant to Rule 9.03 of the Hong Kong Listing Rules if the Company's directors decide to proceed with its proposed listing on the Main Board of the Stock Exchange.

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

Hangzhou, the PRC
12 August 2005