SINOSTRIDE

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

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This announcement, 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHT

- Turnover for the year ended 31 December 2004 increased by approximately 29% over the year ended 31 December 2003 to approximately RMB293 million.
- Profit attributable to shareholders for the year ended 31 December 2004 decreased by approximately 27.9% over the year ended 31 December 2003 to approximately RMB22.9 million.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The Board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2004 (the "Relevant Period"), together with the comparative figures for the year ended 31 December 2003 as follows:

CONSOLIDATED INCOME STATEMENT

		2004	2003
	Notes	***RMB'000***	*RMB'000*
Turnover	3	**293,134**	227,023
Cost of sales		**(224,907)**	(167,067)
Gross profit		**68,227**	59,956
Other revenue	3	**880**	1,549
Selling and distribution costs		**(11,007)**	(8,872)
Administrative costs		**(22,716)**	(12,415)
Other operating costs		**(2,464)**	(354)
Profit from operating activities	5	**32,920**	39,864
Finance costs	6	**(3,860)**	(2,693)
Share of profits/(losses) of associates		**84**	(83)
Profit before tax		**29,144**	37,088
Income tax expense	9	**(5,366)**	(4,824)
Profit for the year		**23,778**	32,264
Attributable to:			
Shareholders of the Company		**22,943**	31,808
Minority interests		**835**	456
		23,778	32,264
Dividends	10	**13,790**	13,834
Earnings per share			
– Basic (RMB cents)	11	**2.1 cents**	2.9 cents
– Diluted (RMB cents)	11	**2.1 cents**	2.9 cents

NOTES TO THE AUDITED FINANCIAL STATEMENTS

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 audited financial statements 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 approved by the International Accounting Standards 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 early 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 3 'Business Combinations', IAS 36 'Impairment of Assets' and IAS 38 'Intangible Assets'

IFRS 3 applies to accounting for business combinations for which the agreement date is on or after 31 March 2004. The effect of the adoption of IFRS 3 upon the Group's accounting policies has impacted the recognition of negative goodwill arising upon an acquisition. According to IFRS 3, the carrying amount of negative goodwill previously recognized is derecognised and credited to retained profits. Negative goodwill is recognised in the income statement immediately.

Additionally, the adoption of IFRS 3 and IAS 36 has resulted in the Group ceasing annual goodwill amortisation and to test for impairment annually at the cash-generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2004.

Moreover, the useful life of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has been amortised over its useful life. Amortisation periods and methods for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

The effect of the revised accounting policy has resulted in the negative goodwill amounting to RMB586,000 being derecognised and credited to retained profits as at 1 January 2004.

Early adoption of other IFRS

The Group has resolved to early adopt the following revised standards from 1 January 2004 for the preparation of these financial statements and comparative figures have been amended as required:

- IAS 1– Presentation of Financial Statements (amended 2004);
- IAS 2– Inventories (revised 2003);
- IAS 8– Accounting Policies, Changes in Accounting Estimates and Errors (revised 2003);
- IAS 10– Events after the Balance Sheet Date (amended 2004);
- IAS 16– Property, Plant and Equipment (amended 2004);
- IAS 17– Leases (amended 2004);
- IAS 24– Related Party Disclosures (revised 2003);
- IAS 27– Consolidated and Separate Financial Statements (amended 2004);
- IAS 28– Investments in Associates (amended 2004);
- IAS 32– Financial instruments: Disclosure and Presentation (amended 2004);
- IAS 33– Earnings per Share (amended 2004); and
- IAS 39– Financial instruments: Recognition and Measurement (amended 2004).

Impact of recently issued IFRS but not early adopted

The following new standards which are generally effective for accounting periods beginning on or after 1 January 2005 may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented:

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

IFRS 2 "Share-based Payment"

IFRS 2 is applicable for accounting periods beginning on or after 1 January 2005 and requires the Group to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. For equity-settled share-based payment transactions, IFRS 2 requires an entity to measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group is required to measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, IFRS 2 requires an entity to measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group is required to remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period. For share-based payment transactions in which the terms of the arrangement provide either the Group or the supplier of goods or services with a choice of whether the Group settles the transaction in cash or by issuing equity instruments, the Group is required to account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Group has incurred a liability to settle in cash (or other assets), or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred. The provisions of IFRS 2 will apply for grants of shares, share options or other equity instruments that were granted after 7 November 2002 and had not yet vested at the beginning on or after 1 January 2005. The Group does not expect IFRS 2 to have a material effect on its results of operations and financial position.

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

IFRS 5 is applicable for accounting periods beginning on or after 1 January 2005 and requires an operation to be classified as discontinued when the criteria to be classified as held for sale have been met or the Group has disposed off the operation. Held for sale is when the carrying amount of an operation will be recovered principally through a sale transaction and not through continuing use.

Under the superseded IAS 35, the Group would have previously recognised a discontinued operation at the earlier of:

– when the Group enters into a binding sale agreement; and
– the board of directors have approved and announced a formal disposal plan.

The result of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than under IAS 35 due to the recognition criteria being stricter under IFRS 5. The Group does not expect IFRS 5 to have a material effect on its results of operations and financial position.

3. Turnover and other 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.

	2004	2003
	RMB'000	*RMB'000*
Turnover	**293,134**	227,023
Amortisation of negative goodwill	**–**	352
Interest income	**308**	415
Government grants and subsidies	**550**	496
Gain on disposal of subsidiaries	**–**	244
Others	**22**	42
Other revenue	**880**	1,549
Total revenue	**294,014**	228,572

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 the 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, certain assets, liabilities and expenditure information for the Group's geographical segments for the years ended 31 December 2004 and 2003.

	Year ended 31 December					
	Hong Kong		**PRC**		**Consolidated**	
	2004	2003	**2004**	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**46,079**	48,565	**247,055**	178,458	**293,134**	227,023
Segment results	**13,566**	13,388	**23,045**	29,316	**36,611**	42,704
Unallocated corporate expenses					**(3,755)**	(3,289)
Provision for impairment loss of goodwill					**(94)**	–
Amortisation of negative goodwill					**–**	352
Amortisation of goodwill					**–**	(24)
Other revenue					**158**	121
Profit from operating activities					**32,920**	39,864
Finance costs					**(3,860)**	(2,693)
Share of profits/(losses) of associates					**84**	(83)
Profit before tax					**29,144**	37,088
Income tax expense					**(5,366)**	(4,824)
Profit for the year					**23,778**	32,264
Attributable to:						
Shareholders of the Company					**22,943**	31,808
Minority interests					**835**	456
Net profit attributable to shareholders					**23,778**	32,264
Other segment information						
Segment assets	**31,612**	39,817	**325,519**	278,430	**357,131**	318,247
Unallocated corporate assets					**37,395**	24,344
Consolidated total assets					**394,526**	342,591
Segment liabilities	**2,608**	16,305	**222,238**	169,170	**224,846**	185,475
Unallocated corporate liabilities					**2,800**	1,224
Consolidated total liabilities					**227,646**	186,699
Capital expenditures	**5,290**	606	**13**	1,858	**5,303**	2,464
Depreciation of property, plant and equipment	**2,076**	267	**247**	1,637	**2,323**	1,904
Other non-cash expenses:						
Gain on disposal of subsidiaries	**–**	–	**–**	(244)	**–**	(244)
Loss on disposal of property, plant and equipment	**310**	–	**340**	–	**650**	–
Amortisation of goodwill	**–**	–	**–**	24	**–**	24
Amortisation of negative goodwill	**–**	–	**–**	(352)	**–**	(352)
Amortisation of intangible assets	**–**	–	**1,073**	70	**1,073**	70
Provision for impairment loss of goodwill	**–**	–	**94**	–	**94**	–
Provision for bad and doubtful debts	**–**	–	**21**	–	**21**	–

5. Profit from operating activities

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

	2004	2003
	RMB'000	*RMB'000*
Cost of sales	**224,907**	167,067
Auditors' remuneration	**1,006**	717
Amortisation of intangible assets	**1,073**	70
Amortisation of negative goodwill	**–**	(352)
Provision for impairment loss of goodwill	**94**	–
Amortisation of goodwill	**–**	24
Depreciation of property, plant and equipment	**2,323**	1,904
Inventory written down/(reversal)	**86**	(32)
Minimum lease payments under operating leases for buildings	**2,488**	1,418
Provision for bad and doubtful debts	**21**	–
Interest income	**(308)**	(415)
Loss on disposal of property, plant and equipment	**650**	–
Gain on disposal of subsidiaries	**–**	(244)
Research and development costs	**365**	284
Staff costs:		
Retirement benefits	**466**	495
Accommodation benefits	**360**	262
Other staff costs	**15,484**	11,985
Total Staff costs	**16,310**	12,742
Less: amounts classified as deferred development costs	**(1,672)**	(2,143)
	14,638	10,599

6. Finance costs

	2004	2003
	RMB'000	*RMB'000*
Interest on bank loans repayable within one year	**3,620**	2,450
Bank charges and commissions	**240**	243
	3,860	2,693

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:

	2004	2003
	RMB'000	*RMB'000*
Fee	**248**	232
Basic salaries and other benefits	**876**	793
Pension scheme contributions	**26**	47
	1,150	1,072

Directors' remuneration by each individual:

Name of Director	**2004**	2003
	RMB'000	*RMB'000*
Mr. Chau Chit	**379**	439
Mr. Wong Wai Tin	**249**	258
Mr. Shen Yue (appointed on 23 June 2004)	**254**	–
Mr. Wong Wai Kwan	**106**	106
Mr. Ng Chong Khim	**–**	–
Mr. Cai Xiao Fu	**21**	20
Mr. Shi Jian Jun (appointed on 23 June 2004)	**15**	–
Mr. Li Xiaoqiang, Richard (appointed on 15 July 2004)	**53**	–
Mr. Zhang Xiao Feng (resigned on 16 July 2004)	**20**	143
Mr. Wu Ming Dong (resigned on 23 June 2004)	**53**	106
	1,150	1,072

8. Five highest paid employees

The five highest paid employees of the Group included three (2003: three) directors during the year, details of whose remuneration are set out in note 7 above.

Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees for the year are as follows:

	2004	2003
	RMB'000	*RMB'000*
Basic salaries and other benefits	**561**	540
Pension scheme contributions	**13**	25
	574	565

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

During the year, share options were granted to one of the highest paid employees in respect of his service provided to the Group. No value in respect of the share options granted during the year has been charged to the income statement, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

9. Income tax expense

	2004	2003
	RMB'000	*RMB'000*
Provision for the year:		
– Hong Kong SAR	**1,296**	1,839
– The Mainland of the PRC	**4,014**	2,985
	5,310	4,824
Underprovision in prior year – Hong Kong SAR	**56**	–
Total	**5,366**	4,824

Hong Kong taxable profit has been provided at the rate of 17.5% (2003: 17.5%) 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.

According to the Income Tax Law of 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 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 tax rate of 15%, being the preferential tax rate applicable to companies operating in approved high and new technology industrial development zones of the PRC. SST was qualified as an "Outstanding Software Enterprise" in the PRC and was granted a preferential tax rate of 10% in 2003 by the National Tax Bureau.

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 three years starting from 1 January 2004 to 31 December 2006.

The applicable Hong Kong corporate income tax rate of Ever Create Profits Ltd., a Hong Kong subsidiary of the Company, is 17.5% (2003: 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 other subsidiaries of the Company as they incurred losses during the year.

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

10. Dividends

	2004	2003
	RMB'000	*RMB'000*
Dividend declared and paid	**13,790**	13,834

On 7 June 2004, the directors declared and the shareholders approved a final dividend of HK$1.2 cents per ordinary share, amounting to approximately RMB13,790,000 in aggregate at the annual general meeting.

At the meeting held on 29 March 2005, the Directors recommend the payment of a final dividend of HK0.8 cent per share for the year ended 31 December 2004 (2003: HK1.2 cents per share). The dividend is not reflected as dividend payable in the accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2005. Such proposed dividend is subject to passing the proposal at the Annual General Meeting to be held on 6 June 2005.

11. Earnings per share

Basic

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of RMB22,943,000 (2003: RMB31,808,000) and the weighted average of 1,084,671,000 (2003: 1,084,090,000) ordinary shares in issue during the year.

Diluted

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of RMB22,943,000 (2003: RMB31,808,000) and the weighted average number of 1,085,356,000 (2003: 1,084,090,000) ordinary shares, after adjusting for the effects of all dilutive potential ordinary shares during the year.

The reconciliation of weighted average number of shares used in the calculations of basic earning per share and diluted earnings per share is as follows:

	2004	2003
Weighted average number of ordinary shares used in basic earnings per share calculation	**1,084,671,000**	1,084,090,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	**685,000**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,085,356,000**	1,084,090,000

12. Related party transactions

On 19 April 2002, Sino Stride Holdings Limited (the “HKSS”), a company beneficially owned by Mr. Chau Chit, a director, Ms Ting Hiu Wan, the spouse of Mr. Chau Chit ,and Mr. Wong Wai Tin, a director, in the proportion of 50%, 30% and 20%, respectively, as landlords, entered into two leases with the Company as tenant in respect of

(i) the premises located at Rooms 3113, 3115 and 3116, 31/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong for use as its Hong Kong office at monthly rental of HK$21,000, as determined based on approximate prevailing market prices. The lease was terminated through a deed of surrender signed by HKSS and the Company on 19 September 2004; 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 of HK$26,000, as determined based on approximate prevailing market prices.

The corresponding rental expenses of the Group for the year ended 31 December 2004 amounted to RMB553,000 (2003: RMB600,000).

On 21 December 2004, the Group has entered into the joint venture agreement (the "JV Agreement") for the establishment of a Sino-Foreign Equity Joint Venture (the "JV"), namely 浙江星時達汽車專業維護有限公司(STAR (Zhejiang) Automotive Center Co., Ltd) with Singapore Technologies Kinetics Limited ("ST Kinetics"), a fellow subsidiary of the Company's substantial shareholder, Singapore Technologies Electronics Limited ("ST Electronics"), and Zhejiang University Logistics and Investment Holdings Company. According to the JV Agreement, the Group will contributed RMB3,750,000 in cash, representing 25% of the registered capital of the JV. The transactions constitutes a connected transaction under Chapter 20 of the GEM Listing Rules and is only subject to the reporting and announcement requirements as set out in Rules 20.45 to 20.47 of the GEM Listing Rules.

13. Share capital and reserves

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

	Notes	Issued capital	Share premium	Contri–bution surplus	Statutory surplus reserve	Enterprise expansion fund	Exchange fluctuation reserve	Retained profits	Total
				(a)	(b)	(c)			
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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		–	–	–	–	–	(226)	–	(226)
Derecognition of negative goodwill		–	–	–	–	–	–	586	586
Net profit for the year		–	–	–	–	–	–	22,943	22,943
Transferred from retained earnings		–	–	–	750	738	–	(1,488)	–
Dividends		–	–	–	–	–	–	(13,790)	(13,790)
As at 31 December 2004		11,514	70,573	13,499	3,230	2,349	14	59,305	160,484

(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 their profits after tax, as determined in accordance with accounting principles generally accepted in the PRC ("PRC GAAP") applicable to the PRC subsidiaries, to the statutory surplus reserve (the "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 (the "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 (2003: Nil) 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 year ended 31 December 2004, the Group recorded a turnover of approximately RMB293 million, representing an increase of approximately 29% over the year ended 31 December 2003. The turnover of the Group for the year ended 31 December 2004 was primarily derived from the provision of system integration solution of approximately RMB185 million, computer network system integration solution of approximately RMB106 million and system software of approximately RMB2 million, respectively. The growth in the turnover of the Group for the year ended 31 December 2004 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(Wuxi City Sport Complex) and 溫州市行政中心西樓(Wenzhou City Administration Building West Wing).

For the year ended 31 December 2004, the Group recorded a gross profit of approximately RMB68 million, representing a profit margin of approximately of 23% as compared to the gross profit margin of 26% for the year ended 31 December 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 to 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 remain stable at 4% for the year ended 31 December 2004.

Administrative costs for the year ended 31 December 2004 increased by RMB10.3 million because (i) the Company and its subsidiary in Hangzhou, Sino Stride Technology, incurred extra relocation expense for office removal during the year ended 31 December 2004; and (ii) Beijing Sino Stride, expand the scale of its operation during year 2004 while its scale of operation was relatively small in year 2003.

Other operating costs for the year ended 31 December 2004 increased by RMB2.1 million because additional 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.

The Group's net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 amounted to approximately RMB22.9 million, representing a decrease of approximately 27.9% over the year ended 31 December 2003.

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 2004, the Group had outstanding bank borrowings of RMB68 million (2003: RMB83 million). The bank borrowing of RMB68 million (2003: RMB73 million) are unsecured and guaranteed by Sino Stride Technology and Xingda Computer. Bank borrowing of RMB10 million was secured by cash deposit as at 31 December 2003. During the year ended 31 December 2004, the Group did not create any mortgage.

As at 31 December 2004, the Group's cash and cash equivalents amounted to approximately RMB58 million (2003: RMB75 million).

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

Gearing ratio

The Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 31 December 2004, the Group's gearing ratio was 17% (2003: 24%). The decrease in gearing ratio was mainly due to repayment of borrowings during the year ended 31 December 2004.

Significant investments

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the Group did not hold any significant investment as at 31 December 2004.

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 2004.

Exchange rate risk

The Group's exposure to market risk for changes in foreign currency exchange rates 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 2004, the Board is not aware of any material contingent liabilities.

Segmental information

Details of information relating to different business segments of the Group have been set out in Note 4 under "Notes to the Financial Statements".

Charge on assets

Other than the Group's bank deposits of RMB11,675,000 (2003: RMB18,151,000) which had been pledged to financial institutions for the issuance of letter of credits, as at 31 December 2004, the Group did not have any charge on its assets.

Employees

As at 31 December 2004, the Group had 351 (2003: 390) employees. 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 2004.

OPERATIONS REVIEW

For the year ended 31 December 2004, the Group has made a number of achievements in the area of business development. In March 2004, 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 June 2004, Sino Stride Technology was awarded 2004年中國軟件產業最大規模100強(Top 100 Large Scale PRC Software Enterprise in 2004) by the Ministry of Information Industry of the PRC ("MII"). In October 2004, Sino Stride Technology was awarded as 杭州市企業技術中心(Hangzhou Enterprise Technology Centre of Hangzhou) by 杭州經濟委員會(Hangzhou Economic Committee). In November 2004, one of our intelligent buildings system solution project 紹興市中級人民法院(Shaoxing intermediate People Court) was awarded 浙江省優秀安裝質量獎(Zhejiang Province Premium Installation Quality Prize). In December 2004, the Group emerged 224th ranking of "Deloitte Technology Fast 500 Asia Pacific 2004 Ranking" by Deloitte Touche Tohmatsu. On 1 March 2005, the Group emerged 1st ranking of PRC intelligent building system integration solution providers according to the research carried out by 中國建築業協會智能建築專業委員會.

During the year ended 31 December 2004, the Group successfully bided for several large intelligent building system and value added service solution projects such as 山東省臨淄市工商行政局大樓 (Shandong Province Lin Zi City Commerce and Industry Administration Bureau Building), 上海仁濟醫院二期外科病房大樓(Shanghai Renji Hospital Phase II Surgery Building), 重慶市國際會議展覽中心 (Chongqing International Conference and Exhibition Centre), 永康人民醫院 (Yong Kang People Hospital), 蘇州工業園醫法院大樓(Suzhou Industrial Zone Legal Court Building), 鹽城市行政中心智能化系統工程(Yancheng City Administration Centre intelligent building system projects), 福建省電力調度通信中心大樓智能化系統(Fujian Province Electricity Control and Communication Centre Building intelligence system) and 安徽省合肥市中級人民法院 (Anhui Province Hefei City intermediate People Court).

As for the provision of intelligent traffic system ("ITS"), the Group successfully bided 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) and the project of providing optical fibre and computer network system equipment for 天津高速高路局 (Tin Jin Highway Bureau). Besides, the research and development of 中程智能交通卡口抓拍系統(Sino Stride intelligent traffic control gate photo system) and 中程公路車輛智能監測記錄系統第一版(Sino Stride intelligent highway vehicles monitoring and recording system version 1) were completed.

On 21 December 2004, the Group has entered into the joint venture agreement (the "JV Agreement") for the establishment of a Sino-Foreign Equity Joint Venture (the "JV"), namely 浙江星時達汽車專業維護有限公司(STAR (Zhejiang) Automotive Center Co., Ltd) with Singapore Technologies Kinetics Limited ("ST Kinetics"), a fellow subsidiary of the Company's substantial shareholder, Singapore Technologies Electronics Limited ("ST Electronics"), and Zhejiang University Logistics and Investment Holdings Company. According to the JV Agreement, the Group will contributed RMB3,750,000 in cash, representing 25% of the registered capital of the JV. The Group is principally engaged in the development and provision of system integration solutions and software development including intelligent building system and intelligent traffic system in the PRC. The Directors believe that the JV will strengthen the Group's business in intelligent traffic system in the PRC.

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.

SHARES TRANSFER AMONG SUBSTANTIAL SHAREHOLDERS

Subsequent to the balance sheet date, on 23 February 2005, Mega Start Limited ("Mega Start"), the controlling shareholder of the Company, entered into a Share Purchase Agreement with ST Electronics that ST Electronics acquired approximately 8.12% shares of the issued share capital of the Company from Mega Start at a consideration of HK$0.315 per shares. After the completion of the such share transfer, ST Electronics's shareholding in the Company increased from approximately 19.88% to 28% while Mega Start's shareholding in the Company decreased from approximately 49.71% to 41.59%.

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 the PRC is still at early stage, there is a growth potential for the Group's business.

The Ministry of Construction ("MOC") and the Ministry of Information Industry ("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 "Deloitte Technology Fast 500 Asia Pacific 2004 Ranking", the Group will continue to increase its marketing efforts, expand its market coverage to other provinces in the 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.

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	
Promote SSMIS and PACS to hospital in Hangzhou and the neighboring cities.	The Group has continuously promoted SSMIS and PACS to hospital in Hangzhou and the neighboring cities.
Marketing and promotion	
Promote GPS and GIS to Hangzhou, Huzhou and Ningbo.	As the markets of GPS and GIS in those areas are not yet mature, the Group decided to postpone the promotion activities.
Promote BFA, e-HIS and e-LIS to hospitals in Jiangsu, Jiangxi and Fujian Province.	As the markets in those province are not yet mature, the Group decided to postpone the promotion activities.
Promote urban traffic system integration to traffic departments in Yunan Province and Chongqing.	The Group has continuously promoted urban traffic system integration to traffic departments in Yunan Province and Chongqing.
Continue to promote traffic management software for light rail in Hangzhou	The Group has continuously promoted traffic management software for light rail in Hangzhou.
Continues to upgrade the designing capacity of the Group by acquiring relevant equipment, software and facilities.	The Group progressively added new features and modification to the existing equipment, software and facilities so as to enhance the designing capacity of the Group.
Continue to upgrade the communication equipment and facilities between Hangzhou office and various branches and/or subsidiaries	The Group has upgraded the communication equipment and facilities in Jiangsu and Chongqing offices.

Research and development

Product Development of the Group

Continue to upgrade existing e-HIS and e-LIS according to domestic medical reform and new development of hospital management	As domestic medical reform and development of hospital management were in process, the Group delayed upgrading e-HIS and e-LIS until finalization of medical reform.
Continue to upgrade SSMIS and PACS.	The Group has cooperated with 湖州市中心醫院 (Huzhou City Central Hospital) to develop PACS.
Continue/complete the development of price monitoring software for medicines and medical services	As the reform of hospital management was not yet finalized, the Group postponed the development of electronic hospital information system platform.
Continue to upgrade of GPS and GIS	The Group cooperated with Singapore Technologies Electronics Limited to upgrade GPS and GIS.
Develop traffic management software for light rail construction project which is suitable to be used in the PRC	The Group cooperated with Singapore Technologies Electronics Limited to develop traffic management software.
Continue development of electronic hospital information system platform	As the reform of hospital management was not yet finalized, the Group postponed the development of electronic hospital information system platform.

Strengthening of research and development capacity

Continue to recruit research and development staff	The Group continued to recruit research and development staff.
Complete CMM assessment	The CMM assessment was in the final stage.
Continue to improve the research and development system	The research and development department of the Group continued to explore measures to improve the research and development system including purchase of new computer equipment and software for research and development purpose.

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 electronic medical book	The research on electronic medical book was in the preliminary stage.

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

Continue to develop workshop for medical image network system and EEG Holter	The Group established a workshop for medical image network system and EEG Holter.

Strategic investment and business collaboration

Continue locating and discussing with reputable companies and research institutions	No strategic investment or business collaboration agreement agreements has 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.	No acquisition and/or joint venture agreements has been signed by the Group except for the above and those already disclosed in the paragraph “OPERATIONS REVIEW”.

USE OF PROCEEDS

The net proceeds raised from the placing of the Company's shares on 29 July 2002 were approximately HK$76.6 million. The proceeds have been applied to achieving the business objectives as set out in the Prospectus and detailed below:

	Notes	Planned use of proceeds as stated in the Prospectus up to 31 December 2004	Actual utilized up to 31 December 2004
		HK$ million	*HK$ million*
Geographical expansion		9.8	9.8
Marketing and promotion		8.2	8.0
Research and development	(1)	23.2	18.2
Strategic investment and business collaboration	(2)	17.0	12.2
Repayment of bank loans		10.3	10.3
Total		68.5	58.5

Notes:

(1) The Group has decided to postpone the research and development for a number of its medical service related products. Consequently, the proceeds from the IPO used for research and development as at 31 December 2004 is less than the amount proposed in the Prospectus. This is mainly due to the fact that the progress of the reformation of the medical service market and medical service related information system market was slower than previously estimated.

(2) Studies and evaluations in relation to the group's planned strategic investment and business collaboration are in progress. As such, the use of proceeds as at 31 December 2004 was less than as planned. On 21 December 2004, Sino Stride Technology Co., Ltd. ("Sino Stride Technology"), a subsidiary of the Company, has entered into a joint venture agreement (the "JV Agreement") for the establishment of a Sino-Foreign Equity Joint Venture, known as STAR (Zhejiang) Automotive Center Co., Ltd. with Singapore Technologies Kineties Limited ("ST Kineties"), a fellow subsidiary of the Company's substantial shareholder, Singapore Technologies Electronics Limited ("ST Electronics"), and Zhejiang University Logistics and Investment Holdings Company. According to the JV Agreement, Sino Stride Technology will contribute RMB3,750,000 in cash in 2005, representing 25% of the registered capital of the joint venture.

The remaining net proceeds of HK$18,100,000 have been placed as short-term deposits for future use as set out in the paragraph under the heading of "Statement of Business Objectives" in the section headed "Mission and Business objectives" in the Prospectus.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board proposed to pay a final dividend of HK0.8 cent per share for the year ended 31 December 2004 (2003: HK1.2 cents per share). Such proposed dividend is subjected to shareholders' approval at the Annual General Meeting to be held on 6 June 2005. The Register of Members of the Company will be closed from 1 June 2005 to 6 June 2005, both days inclusive, during which no transfer of shares will be effected. In order to be qualified for the above mentioned dividend, 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 4:00pm on (Tuesday) 31 May 2005.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND LONG POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 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 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 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:

		Number of shares held, capacity and nature of interest			
Name	*Notes*	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capitalas at 31 December 2004**
Directors					
Mr. Chau Chit	(2)	–	540,000,000	540,000,000	49.71%
Mr. Wong Wai Tin	(2)	–	540,000,000	540,000,000	49.71%
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

	Number of share option held		
Name of Director	**Personal interests** [(1)]	**Total**	**Approximate % of interest**
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 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 31 December 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 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 year ended 31 December 2004 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 31 December 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 shareholders 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 (1)	Approximate Percentage of interest
Mega Start (2)	Company	Beneficial owner	540,000,000 (L)	49.71%
Mr. Chau Chit (2)	Company	Interest of a controlled corporation	540,000,000 (L)	49.71%
Ms. Ting Hiu Wan (2)	Company	Interest of a controlled corporation	540,000,000 (L)	49.71%
Mr. Wong Wai Tin (2)	Company	Interest of a controlled corporation	540,000,000 (L)	49.71%
		Beneficial owner	2,500,000 (L)	0.23%
Singapore Technologies Electronics Limited ("ST Electronics") (3)	Company	Beneficial owner	216,000,000 (L)	19.88%
Singapore Technologies Engineering Ltd ("ST Engineering") (3)	Company	Interest of a controlled corporation	216,000,000 (L)	19.88%
Singapore Technologies Pte Ltd ("STPL") (3)	Company	Interest of a controlled corporation	216,000,000 (L)	19.88%
Temasek Holdings (Private) Ltd ("Temasek Holdings") (3)	Company	Interest of a controlled corporation	216,000,000 (L)	19.88%
孟惠強 (Meng Hui Qiang) (4)	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) (5)	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) (5)	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 share options held:

Name	Personal interests (1)	Family interest (1)	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.

(4) The issued capital of Beijing Sino Stride Powerlink Technology Co., Ltd. is beneficially owned by Sino Stride Technology Co., Ltd., a subsidiary of the Company, and Mr. Meng Hui Qiang.

(5) 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, Mr. Zheng You Xiang, Mr. Duan Hui Long and Mr. Lu Su Ying.

Save as disclosed above, as at 31 December 2004, 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 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 a general meeting with the proposed grantee and his associate abstaining from voting.

On 27 August 2004, the Board resolved to amended 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 subscribes 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 per share, which is the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets 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 employee to subscribe for 2,210,000 shares at a consideration of HK$0.34 per share.

As at 31 December 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' INTERESTS 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 management systems and home automation systems in the PRC through joint ventures. Mr. Ng Chong Khim, a senior management of ST Electronics, was appointed as a non-executive director of the Company on 15 March 2002. Through the share option 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 competes or is likely to compete, directly or indirectly, with the businesses of the Group as at 31 December 2004 .

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmations of independence from Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang, Richard, and still considers them to be independent.

SPONSOR'S INTEREST

As at 31 December 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 meeting the requirements 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. The Sponsor Agreement was expired as at 31 December 2004.

AUDIT COMMITTEE

The Company established an audit committee on 16 July 2002 with written terms of reference in compliance with Rules 5.28, to 5.33 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 financial statement for the year ended 31 December 2004 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 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 four meetings durig the year ended 31 December 2004 to perform the functions specified in the GEM Listing Rules.

BOARD PRACTICES AND PROCEDURES

In the opinions of the Directors, the Company had complied with the requirements of board practices and procedures of rules 5.34 to 5.45 of the GEM Listing Rules for the year ended 31 December 2004.

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 year ended 31 December 2004.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2004, 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 dealings 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 the Stock Exchange 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 six 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
29 March 2005

As at the date of this announcement, 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.

This announcement will remain on the GEM website at http//www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.

* *For identification purpose only*